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Belgium	BFr55	Italy	L2000	Poland	Zl 9,000
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Denmark	DKr12.00	Korea	Won 2000	Qatar	QR0.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR7.00
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France	FFr7.50	Lux	LFr55	Spain	Pta165
Germany	DM2.60	Malaysia	M$4.25	Sweden	SKr12
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Tuesday November 6 1990

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US ELECTIONS
The anti-campaign campaigner
Page 6

World News

Gandhi seen as power broker after Janata split

Former Indian premier Rajiv Gandhi, the Congress party leader, will today explore the possibility of forming a government with a breakaway faction of the Janata Dal party under Mr Chandra Shekhar. It follows the failure of prime minister Vishwanath Pratap Singh to hold his Janata party together. Page 18

Eight die in feud

Eight black South Africans died in a feud between minibus taxi drivers and six others were killed in violence between political factions.

Paris rioting

Youths damaged shops and stoned riot police in Paris as more than 100,000 high school students nationwide joined marches for more teachers, better facilities and improved campus security. Students take to streets, Page 3

US accused

The US was strongly criticised by EC environment commissioner Carlo Ripa di Meana for dragging its feet on action to combat global warming. Page 2

Boat people sue

A group of 111 Vietnamese boat people sued the Hong Kong government for illegal detention, arguing that they were en route to Japan and had stopped only temporarily.

Fire damages shrine

A fire damaged a Shinto shrine on the southern Japanese island of Okinawa. Police suspect activists opposed to imperial enthronement ceremonies.

KGB major held

Police arrested a Soviet KGB major during a meeting in a Berlin suburb with his German contact at the weekend.

Polish coal strike

Miners staged a two-hour warning strike at virtually all Poland's deep coal mines to protest pay rates and the effects of economic reform.

Mandalay tense

Burmese troops have restored a tense peace to Mandalay after months of Buddhist protest and tough army reprisals, diplomats visiting the northern city said.

Equal opportunity

Japan's male-dominated business world will employ a record number of women graduates this year, with their employment rate matching that of men for the first time.

Danielle visit off

Danielle Mitterrand, wife of the French president and head of a private human rights group, cancelled a visit to anti-Moroccan refugees in Algeria which had led to a crisis between France and Morocco.

Volcano erupts

Mount St Helens, the active volcano near Seattle, was rocked by an explosion that shook its peak for six minutes and sent a plume of steam and ash 30,000ft into the air.

Paying the price

Queensland, which bills itself as Australia's "sunshine state", has the highest incidence of skin cancer in the world, an Australian medical journal said.

Top secret thieves

The Los Alamos National Laboratory in New Mexico, perhaps the most secret weapons research centre in the US, has been plagued by a rash of thefts ranging from personal computers to scrap metal.

After the revolution

Moscow now has squares named after Charles de Gaulle and Martin Luther King. Some streets have reverted to their old names and a metro station called after Lenin will be renamed Tsaritsino.

Business Summary

Germany set to dominate European aerospace

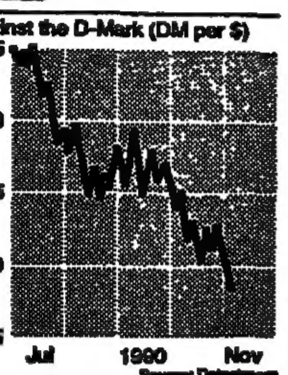
German aerospace industry is expected to overtake Britain and France to become the largest in Europe within three years, according to a report on the European aerospace industry.

The German industry is expanding at a rate of about 14 per cent a year, almost three times the growth rate of France and nearly four times Britain's growth rate. Page 18; BA in talks on new German airline, Page 19

Markets: Dollar fell to a record low against the D-Mark, closing in London at DM1.4860 from DM1.5020, depressed by interest rate differentials and weakness in the US economy.

Dollar

Against the D-Mark (DM per $)



Wall Street: Dow Jones Industrial Average was down 6.68 at midsession at 2,484.16 after a brief morning rally prompted by falling oil prices came to an abrupt end. Frankfurt: DAX index closed just above its low for the day at 1,414.95, up 0.63 on minimal trading. Tokyo: Nikkei index ended a net 190.34 higher at 24,385.33. Back Page, Section II

ASSOCIATED British Foods, cash-rich UK milling and baking group, saw first half profits rise 17 per cent to £132m ($256m). Page 19.

ADSTEAM, Australia-based shipping and retailing group, is to be restructured to eliminate cross-shareholdings and reduce debt by at least A$3bn ($2.3bn). Page 19.

SUZUKI Motor of Japan agreed to produce small cars in Chungking, China, through a consortium of three state-owned companies. Page 8

VIASA, Venezuela's state-owned airline, a prime candidate for privatisation, lost $25.8m in the first six months of this year. Page 20

NISSAN Motor reported 5.4 per cent increase to Y93.1bn ($716m) in pre-tax profit for the first half to end September, as strong domestic demand compensated for sluggish foreign sales. Page 21

HINO Motors, Japanese truck maker, reported 25.7 per cent rise in first half pre-tax profits to Y13bn ($100m) on sales 11.2 per cent ahead at Y321.2bn. Page 21

YORKSHIRE Bank, newly acquired UK retail banking arm of National Bank of Australia, made pre-tax profit of £92.1m ($178.7m) in the first nine months. Page 21

NEW YORK Stock Exchange is to freeze its officers' pay in 1991 and start an early retirement programme to cut staff to 1983 levels in response to a downturn on Wall Street. Page 22

SAUDI ARABIA: oil output, at 8.2mbd, was 57 per cent higher than it had been before Iraq invaded Kuwait on August 2 this year, Saudi Minister of Petroleum and Mineral Resources Hisham Nazer said.

NEW ZEALAND: new National party government bailed out Bank of New Zealand (BNZ), the country's biggest bank, with a NZ$620m ($380m) rescue package to cover loans to collapsing Australian entrepreneurs.

Baghdad softens stance on release of foreign hostages

By Lamis Andoni in Baghdad and John Wyles in Rome

IRAQ has begun to soften its public stance on the release of foreign hostages, amid signs that Iraqi officials feel the captives are as much a liability as an asset in the confrontation against multinational forces in the Gulf.

Official statements from Baghdad suggest Iraq may drop its earlier insistence on a categorical pledge of non-aggression from at least two members of the UN Security Council as a precondition for the release of its "guests".

Mr Saedi Mahdi Saleh, the Iraqi National Assembly speaker, said the Iraqi government believed the likelihood of a political solution could be enhanced through the release of all foreigners, provided other countries joined Baghdad in declaring a commitment to a diplomatic solution.

Most reports focused on the Iraqi initiative that called for the release of all hostages in return for pledges to a peaceful solution by the United Nations Security Council or two of five countries including the Soviet Union, France, China, Japan and Germany.

Mr Saleh – in a weekend statement which at first passed unnoticed but is now being closely studied by foreign embassies in Baghdad – said Iraq had achieved most of its objectives from keeping the western nationals.

"The objective of preventing some foreigners from leaving was to increase the obstacles in the way of aggressive and evil intentions of the American administration and its allies ... and to gain time to enable the international public opinion to endorse a balanced approach towards peace," he told the National Assembly.

"The most important of these objectives have been achieved regarding popular public opinion in the world and (the positions) of international personalities and some governments," he said. "Therefore it seems to us that releasing all foreigners will also serve the same purpose according to an appropriate formula," he said.

Instead of asking for guarantees, Iraq now seems to be concentrating on persuading a larger number of countries to oppose military action in the Gulf.

Willy Brandt (right), honorary chairman of the German SPD party, at Frankfurt airport with Iraqi ambassador Omar Ghani

Although the initiative may be a ploy to gain more time, there are indications that Baghdad and its allies – in particular Jordan and the Palestine Liberation Organisation – want to prevent the US from using the hostage issue as a pretext for war.

Iraq is also said to be under pressure from its allies, such as Jordan and the PLO, who fear that by further keeping the western nationals Baghdad might provide Washington with a good pretext to rally support for military action.

Iraq hopes that China, one of the five permanent members of the UN Security Council, will play a key role in undermining the UN consensus by using its veto power to block further resolutions against Iraq.

Baghdad has also been targeting Germany and Japan in an attempt to increase the domestic pressures against war in the two countries. It has capitalised on the visits of Mr Yasuhiro Nakasone, the former Japanese prime minister, and Mr Willy Brandt, the former West German chancellor. Delegations from a number of other countries, including Ireland, New Zealand, Switzerland and Denmark, have either been in Baghdad recently or are attempting to visit.

European Foreign Ministers

Continued on Page 18
Other reports, Page 4

UK Bank chief sees European supervisory role

By David Lascelles, Banking Editor, in London

A FUTURE European central bank may have to take over some of the responsibility for supervising banks from national authorities, the governor of the Bank of England said yesterday.

Mr Robin Leigh-Pemberton, at a meeting of international bankers in Paris, raised the possibility that a new central bank's powers would extend beyond monetary policy to include supervision. He said the issue might have to be addressed as early as next month's Inter-Governmental Conference on monetary union in Rome.

He said it was essential, regardless of the pace at which EC monetary union progressed, to ensure that supervision kept up with the growing integration of European banking and financial markets.

Although an EC central bank's main role would be to ensure the stability of the currency, this would also entail safeguarding the stability of the system itself. "The job of monetary policy would be made infinitely more difficult if there were lack of confidence in the banking system brought about by periodic crises or threatened crises."

It was still too early to know what supervisory structure might be needed, and for the time being responsibility should be clearly concentrated at national level. But Mr Leigh-Pemberton said it was important to keep an open mind and be ready to adapt arrangements to the needs of the market. If next month's IGC decided to amend the EC treaty to provide for a new central bank, the EC would have to consider whether to endow it with supervisory powers.

He was careful to state that no more power should be transferred from national level than was essential. It would be done in stages, with the EC central bank initially playing a co-ordinating role between national authorities. A conceivable final step would be the centralisation of some supervisory responsibilities. However, this might not happen for several decades, at least until European banking had a distinct character separated from national banking systems.

Next month's IGC will consider the next steps to be taken

Continued on Page 18;
Details, Page 13

MRS Margaret Thatcher, the UK prime minister, signalled her determination to fight off any challenge to her leadership of the Conservative party following Sir Geoffrey Howe's resignation last week.

Separately, Mr Douglas Hurd, the foreign secretary, stepped up ministerial attempts to portray the government as united and enthusiastic in its approach to Europe. Reports, Page 18

EC no nearer accord on farm subsidies

By Tim Dickson in Brussels

HOPES OF an early breakthrough in the European Community's vital farm policy negotiations were quickly dashed in Brussels last night.

EC agriculture and trade ministers – meeting for the seventh time in just over a month – emerged deeply divided after discussing a new compromise proposal for the international trade talks known as the Uruguay Round.

The compromise did not alter the basic European Commission offer of a 30 per cent cut in farm supports over the 10 year period 1986-96 – but it included a declaration from the Brussels executive designed chiefly to reassure the French and the Germans that key principles of the Common Agricultural Policy would be retained.

EC officials were grimly predicting another marathon session and Mr Renato Ruggiero, Italy's trade minister and president of the EC Council, was reported as saying at the outset that he would keep the meeting going until a solution had been found.

Last night's continued disarray puts further into doubt the outcome of the Uruguay Round, a four year process which is due to come to a conclusion in early December on ways of liberalising world trade in areas ranging from services and textiles to intellectual property and agriculture.

Reducing global farm supports, however, has consistently been identified by the United States as an essential precondition for a comprehensive deal in other sectors.

Last night's Commission declaration consisted of three separate points: a tougher assurance that Brussels will not allow EC import barriers to be reduced in such a way that a flood of cheaper products from the world market will enter the EC; a commitment to "present the proposals necessary to ensure a more effective set aside programme in the Community" – a reference to the current EC scheme, currently little used, to pay farmers to take arable land out of production; and a statement to the effect that "the total level of assistance to the less favoured regions should not be reduced as a result of the implementation of the outcome of the Uruguay Round".

Fears that these concessions were another step backwards were voiced by Britain, Denmark and the Netherlands – but while Mr John Gummer, the UK agriculture minister, refused to commit himself, none of these three countries said that they would vote against the newly modified package.

Mr Ignaz Kiechle, the German farm minister, said that the declaration was "a step in the right direction" though he added that the changes still did not go far enough.

Much last night appeared to depend on Mr Louis Mermaz, the French farm minister, whose main concern was focused on the issue of Community "preference", the jargon for keeping Community markets for Community farmers. He was pushing for an even tougher committment from the Commission on this point – a demand further annoyed Mr Gummer.

Canada fights for its dairy farmers, Page 8

US elections avoid international issue

By Lionel Barber in Washington

THE MOST surprising feature of the mid-term US elections which take place today is that the Gulf crisis is not an issue.

Americans have just seen the biggest and fastest military build-up since the second world war, but few candidates running for state or national office have been willing to treat the deployment, or the likelihood of a war, as worthy of debate.

November 1990 covers elections for all the 435 House of Representative seats, 36 governorships and 35 Senate seats, as well as other local offices.

Without President George Bush in the lead on national and international issues, the country's natural instinct is to think local. This is even more true now that the economy is sliding into recession.

Mr Kevin Phillips, conservative political commentator, said: "I think we have seen the last flag factory now. Once the real meat and potatoes is out there in the public arena, the old stuff isn't going to work anymore."

On Saturday, Mrs Dianne Feinstein, the former mayor of San Francisco bidding to become the first woman governor of California, went on a 12-hour tour of Central Valley,

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The race for Florida, Page 6
US voting technology, Page 31
Editorial comment, Page 16

Dutch insurance and banking group in talks on full merger

By Ronald van de Krol in Amsterdam

NATIONALE-Nederlanden, the largest insurance company in the Netherlands, and NMB Postbank, the country's third biggest bank, disclosed yesterday that they are holding talks aimed at achieving a full merger.

The merger, which would rank among the biggest in Dutch corporate history, marks the most important link-up between a bank and an insurance company in the Netherlands since a long-standing ban on such mergers was lifted in January.

The move also follows a number of similar mergers across Europe in the run-up to the single market of 1992, including the recent merger of VSB, the Dutch savings bank group, with Amev, the third-ranked Dutch insurer.

Nat-Ned and NMB Postbank said they hope to complement each other in merchant banking, property, and capital market operations, as well as in insurance.

The merger, which will create a group with a market capitalisation of Fl11.5 bn ($6.8bn), is aimed at bolstering the partners' domestic positions to prepare for further expansion in Europe and the rest of the world. Together, they have a wide range of retail outlets for their banking and insurance products.

NMB Postbank, itself the result of a merger consummated only 13 months ago, operates through more than 400 domestic branches of NMB Bank and more than 2,600 post offices served by the Postbank.

Nat-Ned operates in the Netherlands through several thousand insurance agents.

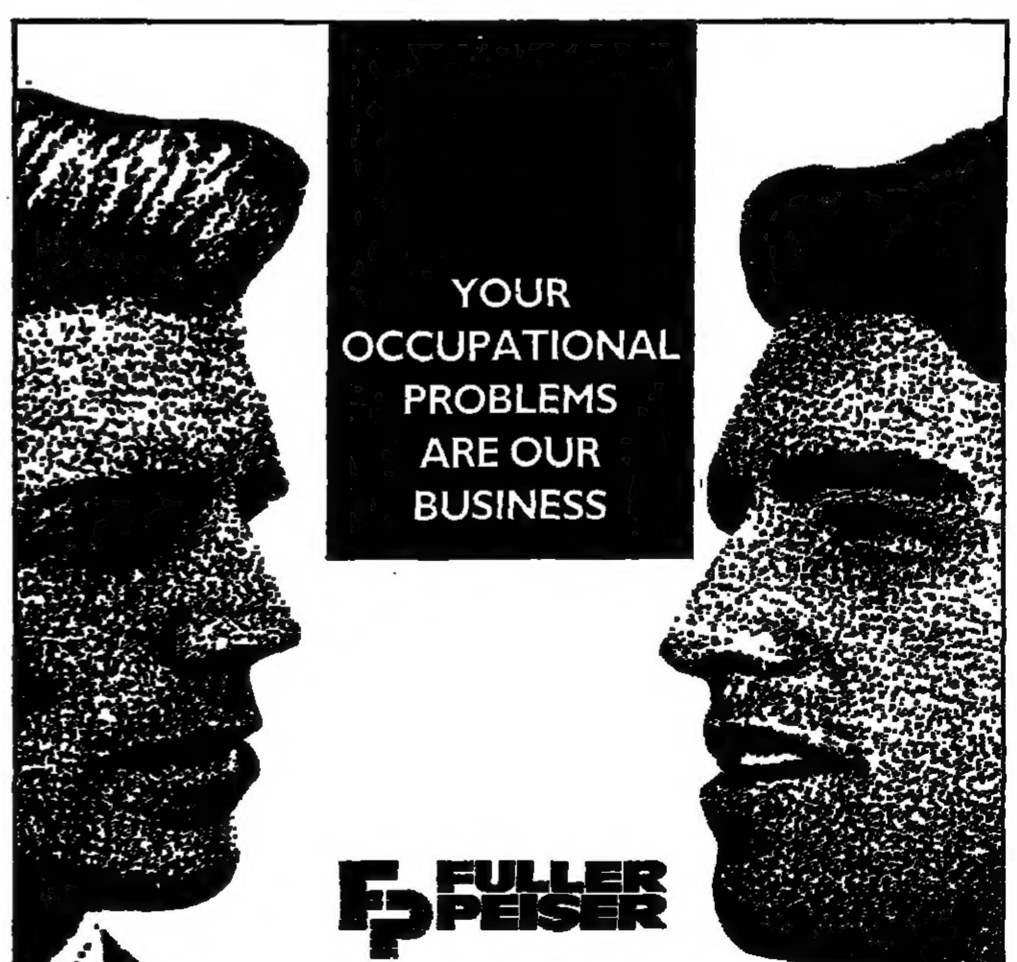
Nat-Ned is by far the largest insurance in the Netherlands, with premium turnover of Fl23.1bn, total assets of Fl92.9bn and disclosed net assets of Fl9.9bn.

NMB Postbank, which ranks third after the newly-merged ABN Amro and Rabobank, had 1989 revenues of Fl5.3bn, total assets of Fl166.4bn and disclosed net assets of Fl5.4bn. The Dutch state still has a 24 per cent stake in the bank, a legacy of its former full ownership of the Postbank.

Trading in the two companies' shares was suspended in Amsterdam early yesterday ahead of the announcement. Mr Jaap van Rijn, chairman of Nat-Ned, and Mr Willem Scherpenhuijsen Rom, chairman of NMB Postbank, are due to give further details at a press conference today. Mr van Rijn will head the new combine until his retirement in mid-1992, when Mr Scherpenhuijsen Rom will succeed.

The merger will be effected through the establishment of a holding company which will launch a share swap offer for the existing shares in NMB Postbank and Nat-Ned. Nat-Ned and NMB Postbank will become subsidiaries of the new holding but will remain separated legally and operationally. They will, however, forge close commercial links.

Holders of Nat-Ned shares will receive 10 shares in the new holding, plus 10 warrants, for every 10 existing shares they own.



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Malta embraces the market culture

Maltese premier Eddie Fenech-Adami has done his best to soften his country's image of a polarised, sometimes violent, country with unsavoury allies. Page 3

MARKETS

STERLING
New York lunchtime:
$1.9712
London:
$1.9705 (1.951)
DM2.9275 (2.93)
FFr9.8225 (9.8375)
SFr2.485 (2.4775)
Y249.75 (251.0)
£ index 94.3 (94.2)

GOLD
New York: Comex Dec
$381.1 (378.0)
London:
$377.0 (376.0)

N SEA OIL (Argus)
Brent Dec
$32.7 (34.05)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.48735
FFr4.9885
SFr1.251
Y126.92
London:
DM1.486 (1.502)
FFr4.985 (5.0425)
SFr1.2505 (1.2705)
Y126.75 (128.6)
$ index 60.0 (60.5)
Tokyo close: Y127.35

US lunchtime rates
Fed Funds $7\frac{13}{16}$%
3-mo Treasury Bills:
yield: 7.29%
Long Bond:
$100\frac{11}{16}$
yield: 8.67%

STOCK INDICES
FT-SE 100:
2,050.1 (+19.4)
FT Ordinary:
1,581.1 (+10.4)
FT-A All-Share:
989.77 (+0.7%)
New York lunchtime:
DJ Ind. Av.
2,491.58 (+0.74)
S&P Comp
312.51 (+0.66)
Tokyo: Nikkei
24,385.33 (+190.34)

LONDON MONEY
3-month Interbank:
closing $13\frac{13}{32}$% ($13\frac{11}{16}$)
Liffe long gilt future:
Dec $84\frac{7}{16}$ ($83\frac{23}{32}$)

EUROPEAN NEWS

Germany pledges coal to Hungary

GERMANY WILL send coal and briquettes to Hungary to help the country meet energy shortages caused by curtailed Soviet deliveries of cheap crude oil, according to the Nepszabadsag newspaper, quoting Hungary's ambassador in Bonn, Reuter reports.

It quoted Mr Istvan Horvath as saying the deliveries – 500,000 tonnes of coal and 150,000 tonnes of coal briquettes – would come from German strategic energy reserves and be paid for at an unspecified later date.

Austria and Italy have already offered emergency fuel supplies to help compensate for the Soviet Union's reduced deliveries.

Bridge too low

Finland has told the Danes that two bridges they plan to build would block exports of Finnish oil rigs, a foreign ministry official said yesterday, Reuter reports from Helsinki. The bridges across the Great Belt seaway between the island of Sjaelland and the main Jutland peninsula would be too low for the rigs to be towed under them, he said.

Bulgarian offer

Bulgaria's main opposition alliance, the Union of Democratic Forces, said yesterday it was prepared to form a new government if Mr Andrei Lukanov, the Socialist prime minister, resigned, but it ruled out a coalition with the former Communists, AP reports from Sofia.

State will take 40 per cent of hard currency earnings to meet repayments bulge next year

Debt needs prompt hefty new Soviet tax

By Quentin Peel in Moscow

A HEFTY hard currency tax on Soviet enterprises, compelling them to sell 40 per cent of their export earnings to the state next year, has been imposed to finance a big bulge in debt repayments next year.

It may also be used to help pay off the backlog in trade debts incurred by Soviet importers, still estimated at approaching $4bn.

At the same time, the introduction of an effective 66 per cent devaluation in the rouble from November 1 is supposed to boost exports, discourage imports, and reduce heavy export subsidies financed by the state budget. The new commercial exchange rate, currently set at Rbs1.66 to the dollar, compared with the official rate of just Rbs0.55, is supposed to reflect the purchasing power parity of the rouble, averaging a whole basket of differing commodities.

Next year, Gosbank intends to move increasingly to a "free floating exchange rate" for enterprises, in an attempt gradually to bring together the commercial exchange rate, and the free market rate set by regular currency auctions.

These were the explanations given yesterday by Mr Oleg Mozhaiskov, head of the international monetary department of Gosbank, the state bank, in an attempt to alleviate widespread confusion about the Soviet Union's new foreign exchange policies, and their effect on foreign investors, importers and exporters.

He revealed that some key imports of social importance, such as medicines, were likely to be exempted from paying the new commercial exchange rate, in order to prevent any drastic increase in the retail price. Other exemptions had yet to be determined.

However, in principle, the entire range of commercial transactions – payments for goods and services – as well as the valuation of foreign investments, would be carried out at the new exchange rate.

On the other hand, it was unlikely to make any difference to the costs of foreign business offices operating in the Soviet Union, because most of their expenses – rentals, telephone bills, petrol and domestic travel – were now denominated in hard currency.

The latest decree by President Mikhail Gorbachev on foreign exchange, ordering Soviet enterprises to sell 40 per cent to a new all-union currency fund, responded to the "difficult situation" in next year's debt repayments, Mr Mozhaiskov said. It was only effective for 1991.

It has already been strongly attacked both by enterprises, and by the individual republics, as unwarranted central interference in precious hard currency earnings.

Mr Mozhaiskov, who is now responsible for drafting new rules for the future open currency auctions, explained that the country's balance of payments crisis had caused major problems for Vneshekonombank, the state bank for foreign economic relations.

Traditionally only required to arrange bridging finance to meet the seasonal imbalances between imports (early in the year) and exports (usually late), it had found its short-term borrowings overwhelmed in the past two years by a more permanent imbalance.

At the same time, he said, there was a bunching in the repayment schedules for Soviet foreign debt, estimated at some $60bn. Hard currency earnings for the coming year were estimated at between $30bn and $40bn, he said, depending on the performance of the oil industry. Hard currency requirements for debt servicing were estimated at up to $11bn. The remainder of the 40 per cent compulsory purchase from Soviet enterprises would go towards a special currency import fund split between the central government and the republics.

Soviet defence minister Dmitri Yazov (right) chats with senior commanders after a rehearsal in Moscow for tomorrow's celebrations marking the Bolshevik revolution

US under attack for dragging its feet over global warming

By John Hunt, Environment Correspondent, in Geneva

THE US was strongly criticised last night by Mr Carlo Ripa di Meana, the EC environment commissioner, for dragging its feet on action to combat global warming. He was speaking in Geneva on the eve of the ministerial meeting of the World Climate Conference, and following an EC and Efta declaration committing their 18 member states to stabilising carbon dioxide and other greenhouse gases by the year 2000.

This new coalition will press the US at today's meeting – to be opened by Mrs Margaret Thatcher, the British Prime Minister – to adopt firm targets for reducing these emissions. The US, the world's biggest producer of carbon dioxide pollution, is one of the few major countries not to announce targets.

It seems determined not to do so at the Geneva conference, which is being attended by environment ministers from more than 100 countries with the aim of starting work on a global climate convention. There is mounting pressure on the US to fall into line with other countries.

Mr Ripa di Meana, who also criticised the Soviet Union for failing to announce targets for cutting greenhouse gases, said the EC and Efta countries had become the "Europe of 18" which would lead the battle for action on global warming. "It is a question of how to convince the Soviets and the Americans of their position... That will be a central themes of our conference."

WORLD CLIMATE CONFERENCE

This year, he said, the EC would produce 750m tonnes of coal – the fossil fuel which is the heaviest source of carbon dioxide, which is a cause of global warming – but the US would produce twice as much. "Without co-operation at the international level, deterioration of the environment will go on," he warned.

Environmental pressure groups are infuriated by a draft ministerial declaration drawn up by officials for discussion at the conference. If approved, it would mean that the US would not be called on to adopt targets for cutting carbon dioxide.

Polish hard-currency reserves reach $3.5bn

By Stephen Fidler, Euromarkets Correspondent

POLAND'S hard currency reserves have grown to $3.5bn (£1.8bn) and are expected to expand to $5.1bn by the end of next year, Polish officials have told the country's leading creditor banks.

The growth, which emerged at a meeting in Vienna between Polish officials and an eight-bank creditor group, reflects a large trade surplus and the fact that Poland is paying no interest to foreign bank or government creditors this year. Net reserves were negligible at the start of the year and it has not drawn on a $1bn currency stabilisation fund from industrialised countries.

Poland is forecasting a $2.9bn trade surplus this year, despite a rise in energy prices. Exports are forecast 36 per cent higher than last year at $7.5bn. Imports are expected to fall 10 per cent to $4.7bn, reflecting the recession.

The government, which has sought 80 per cent debt forgiveness from creditor banks and a similar concession from bilateral government creditors, said it had appointed three investment banks as debt rescheduling advisers. The three are Lehman Brothers of the US, S.G.Warburg of Britain, and Lazard Frères of France.

The appointment of advisers is likely to upset some bank creditors, since their fees are believed substantial. The non-payment of interest to banks is also criticised by bankers, especially while the country's foreign exchange reserves are rising. The Vienna meeting with the banks led by Barclays Bank of the UK produced little of substance, bankers said. The two sides will not meet until after the Polish presidential election on November 21.

Banks appear unwilling to advance significant Polish debt proposals without a proposal from the Paris Club of creditor governments, to which nearly three-quarters of its more than $40bn foreign debt is owed. The Paris Club has agreed a moratorium of interest and principal payments falling due, until March next year, but has not yet formulated a proposal on how to treat Poland's debt beyond that.

● Polish coal miners stopped work for two hours yesterday, in the first strike called by the Solidarity trade union against the government it helped to form last year, Reuter reports from Warsaw. Solidarity said miners in over 60 of Poland's 70 pits held rallies demanding more pay and the freeing of coal prices.

● The number of Polish jobless topped 1m in October after 10 months' austerity and free-market economics, but lay-offs slowed, the Labour Ministry said. Jobless totalled 1,008,416 – 7.5 per cent of the workforce – on October 31, after a monthly rise of 82,000, the lowest since January. Poland had 9,700 unemployed before austerity measures came in on January 1.

South Europe urged to go high-tech

By David Buchan in Brussels

SOUTHERN Europe should modernise itself by moving higher up the technological ladder, rather than trying to reinforce its comparative edge in traditional, labour-intensive sectors that are under increasing competitive threat from the Third World.

This is one of the conclusions of a 340-page study released yesterday by the European Commission on the effect of the "1992" programme on European industry. Its analysis of some 40 sectors accounting for around half of Community industrial output highlights the different challenges facing northern and southern Europe.

The capital goods industry, far more important in the north, faces greater competition through the opening of public procurement to cross-border bidding. In response, companies are cutting capacity and linking up.

The southern European problem is less related to the single market programme and more to import competition from developing countries.

As a result, southern Europe's traditional exports of clothing, shoes, and textiles are declining, while higher-technology exports such as domestic electric gadgets are improving. The Commission notes that traditional shoe and textile makers can survive, if like Italian fashion houses they go right up market. But its general prescription to Spain, Portugal and Greece is switch into higher technology industries. The first two countries are succeeding in this, but the last is not, it implies.

The overall message which the Commissioners draws from its own densely factual study is that there will be no pre-determined industrial winners or losers from 1992.

Its separate studies on each of the member states records a mix of benefits and drawbacks. However, Mr Michael Emerson, the senior Commission economist presenting the report, conceded that if current predictions of recession proved accurate, the poorer regions would suffer most.

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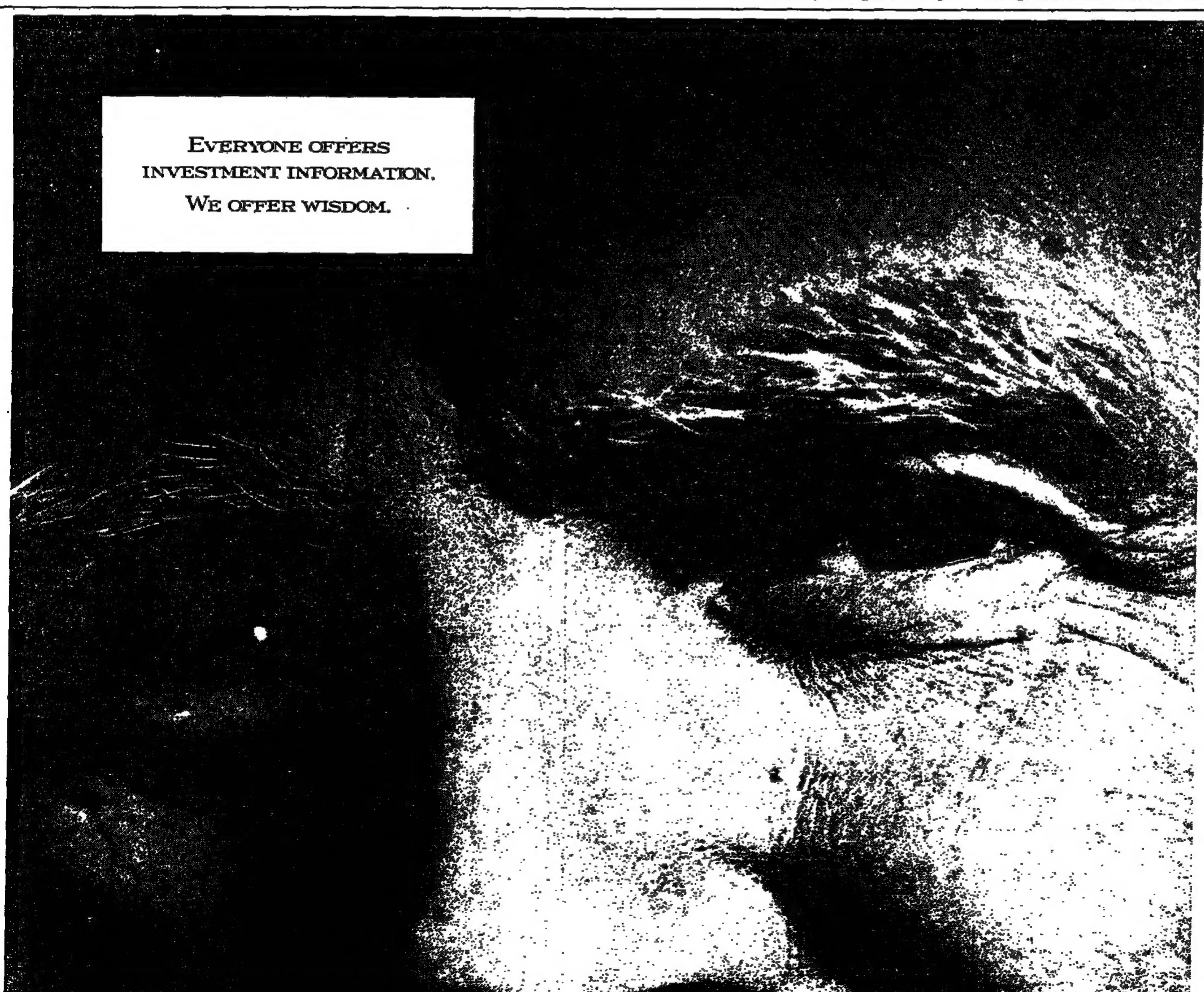

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EUROPEAN NEWS

French take education concerns on to streets

By Ian Davidson in Paris

FRANCE'S Socialist government is coming under pressure from a wave of demonstrations from secondary school students who are protesting at the violence and lack of security inside their school premises.

The protests coincide with the government's plans to introduce a new social security levy, and the prospect of facing a censure motion which is likely to be supported by the both the Communists and the conservative opposition.

The demonstrations, which first erupted at Seine-Saint-Denis and other northern suburbs of Paris last month, have since spread across France. Moreover, the demonstrators have broadened their complaints to the quality of the education system.

Yesterday more than 20,000 students marched to the national assembly which was debating the 1991 education budget.

But the paradox is that the students are protesting against a Socialist government giving a significantly higher priority to the expansion and reform of the education system than any of its recent predecessors.

It is aiming to bring 80 per cent of school-leavers up to the level of the baccalaureat by the end of the century compared with around 45 per cent today. And despite a general squeeze on public expenditure, the education budget has grown rapidly every year since the Socialists were returned to power in 1988.

Next year's education budget, slated at FFr248bn, (£25bn) will be 9 per cent larger than this year's. It is 8.7 per cent larger than in 1989. The increase is higher than the rate of inflation; the education budget is larger than the national defence budget.

In line with the government's programme of expansion, the budget also provides for the creation of 12,880 jobs (7,600 of them teaching jobs).

Moreover, in what appears a panic response to the student protests, the government has added another 1,100 non-teaching jobs, plus 3,000 places for young student teachers. Nevertheless, the students are denouncing the education budget for "sacrificing the training of France's youth".

Part of the problem is the speed of the expansion of the secondary school system: expectations are running ahead of what the physical infrastructure and the teaching profession are able to provide; many of the schools are old and dilapidated; most are increasingly over-crowded.

It is significant that the current wave of protests started in relatively poor working class districts, where the schools are also worse off than those in more prosperous areas.

Moreover, there are shortages of teachers for key subjects like maths and in socially difficult districts. One of the students' main complaints is that too many classes are being taken by emergency or stand-in teachers.

However, a more fundamental charge is now being levied by some politicians and educationists: there is a fundamental tension between the authoritarian, centralised and elitist culture of the traditional school system, and the high-quality programme of mass secondary education for which the government is aiming.

The Socialists introduced a partial decentralisation of the system in the early 1980s, and the government is looking at ways of expanding the freedom of manoeuvre of individual schools to allocate their own resources. But education policy remains essentially national, in budget, in organisation and above all in spirit.

The government is wrestling with the problem of reforming the syllabus and the teaching methods, and in particular with the relationship between the traditional literary or scientific baccalaureat for the intellectual elite, and the needs of the less intellectual.

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NEW YORK

Bonn persuades Rohwedder to stay on at Treuhand

By David Marsh in Bonn

THE German government has pulled off an economic policy coup by persuading Mr Detlev Rohwedder, the chairman of the Hoesch steel group, to stay on as chief executive of the Treuhand agency privatising east German companies.

The agreement, reached after the personal intervention of Mr Theo Waigel, the finance minister, came less than a week after Mr Rohwedder said he would stand down at the end of the year.

The Berlin-based Treuhand is in charge of the world's largest programme of selling off state assets. By clearing up doubts about the future management and direction of the agency, the Government has laid down an important precondition for successful restructuring of the east German economy.

Mr Rohwedder was appointed chairman of the Treuhand supervisory board in June and took over as chief executive on an interim basis in August after the resignation from this job of Mr Reiner Gohlke, the former Bundesbahn chief.

A Finance Ministry spokesman said yesterday that Mr Rohwedder had agreed to stay on after Mr Waigel spelled out to him Bonn's interest in assuring "continuity" at the top of the Treuhand.


Rohwedder: assurances from the government

Mr Rohwedder, a Social Democrat, was state secretary in the Economics Ministry during the government of Chancellor Helmut Schmidt. He is thought to have been given assurances about his future salary as one of the conditions for maintaining the job.

Although the Finance Ministry would not confirm this yesterday, the Government is likely to have guaranteed Mr Rohwedder a salary similar to the DM1m a year he is reputed to be earning as chairman of Hoesch.

Mr Jens Odewald, the new head of the Treuhand's supervisory board, who is also the chairman of the Kaufhof department store concern, said yesterday that the last few weeks' persistent public debate about top management at the Treuhand would soon be "stilled". He predicted an "investment boom" next year in east Germany.

Mr Rohwedder has earned a reputation as a tough-minded manager in his 11 years as head of Hoesch. The Treuhand chief, however, in recent weeks has come under criticism from parts of Chancellor Helmut Kohl Christian Democrat party for alleged hesitancy in selling off the 8,000 largely moribund companies in the Treuhand's portfolio.

Mr Rohwedder so far has sold 200 companies and expects to complete the sales of 500 by the end of the year.

Last week he hit out bitterly at critics of the Treuhand's operations. Castigating those who thought that the Treuhand's sell-off programme would soon be accomplished, he said that privatisation was being held up by administrative and legal hurdles in the east, and that the Treuhand would still exist for many years to come.

Sharp fall in German trade surplus

By Andrew Fisher in Frankfurt

GERMANY'S trade surplus has fallen sharply this year as import demand has accelerated after the opening up of east Germany.

In the first nine months, the surplus was down by 20 per cent to DM84bn (£28.5bn) in the area formerly known as West Germany. In the whole D-Mark area – the currency was introduced into east Germany in July – it fell by 12 per cent to DM92bn.

The difference reflects the shifting sales efforts by west German companies from export markets, mainly in western Europe, to markets in east Germany. The movement of goods from west to east Germany has more than doubled this year.

The strength of the D-Mark, buttressed by the Bundesbank which wants a firm currency to resist inflation and help attract investment funds into the east, has also hampered exports.

Several prominent west German companies, notably the big chemical concerns and the Volkswagen car manufacturer, have said that the high D-Mark has eroded profits.

In the same week during which the Berlin Wall and the former East German border were opened a year ago on November 9, the Federal Statistics Office said imports into west Germany rose by 6.6 per cent in the January-September period, while exports edged up by less than 1 per cent.

Much of the import flow into east Germany has come through the west, as leading store and distribution groups have geared up to satisfy the long-frustrated desires of east German consumers.

In September alone, exports dropped by 8.5 per cent from west Germany, with imports gaining 6.6 per cent. The Bundesbank has called the decline in Germany's surpluses "a desirable acceleration of the external adjustment process."

Skoda denies it has opted for VW partnership

CZECHOSLOVAKIA'S state-owned car-maker Skoda denied yesterday that it had already decided between Volkswagen or Renault as its partner in a multi-billion dollar deal, Reuter reports from Prague.

A joint statement from Skoda and the Engineering Ministry said discussions were still continuing and the final decision would be taken next month.

Recent reports, coinciding with a visit to Czechoslovakia by Volkswagen's president, Mr Carl Hahn, have suggested that Skoda has already opted for the German company in a deal worth up to DM8bn (£2.7bn).

Renault's deputy managing director, Mr Louis Schweitzer, said in Prague last month that a proposal by his company would help the modernisation and development of Skoda cars for the rest of the century. An improved Renault offer, made in conjunction with Volvo, is worth FFr13bn (£1.3bn).

Skoda is looking for a foreign partner for investment, to modernise its main plant at Mlada Boleslav near Prague, and to supply engines for Skoda cars.

Malta embraces a market culture

Richard Evans and Godfrey Grima on efforts to attract investment

MALTA, with few natural advantages apart from its strategic position and plenty of sunshine, is embarking on a fresh bid to attract industry and investment.

The island's difficulties are readily apparent; it is tiny, with a population of under 350,000, and it is trying to compete with the expanding, low-cost economies of south-east Asia and north Africa on the one hand, and with the developed world on the other.

Furthermore, it has not always done its own cause much good in the past. Memories of the bruising conflicts between the British and the autocratic, confrontational premier Dom Mintoff in the 1970s remain vivid, and the controversial defence and commercial links with Colonel Gadaffi's Libya made Malta the subject of US suspicion and hostility.

All that has changed, first with the substitution in 1984 of Mr Mintoff as Labour leader by the more conciliatory Dr Carmelo Mifsud Bonnici, and then with the accession to power in 1987 of the Nationalist, or Christian Democratic, government of Dr Eddie Fenech-Adami.

Relations with Libya, although still close commercially, are at arms length politically, and the emphasis in external relations is now firmly away from the former communist bloc and towards the west. Malta has applied to join the European Community and negotiations are expected to start by 1993.

But leading Maltese politicians and businessmen concede that the image of a polarised, sometimes violent, country with unsavoury allies has not been easy to overcome.

The planned transformation by Dr Fenech-Adami of an over-protected, state dominated economy into one that can compete on the world market has made painfully slow progress.

The first priority was to improve the creaking infrastructure. A big capital programme was launched to overhaul the telecommunications network and to build a new power station, desalination plants and a second airport terminal.

This programme is largely completed and the emphasis is now turning towards attracting higher skill industries like electronics, auto components, medical instruments, pharmaceuticals and information technology to take the place of more traditional employers like textiles, the viability of which is being threatened by low-cost competition from north Africa.

There is already a competitive package of incentives in place involving a 10-year tax holiday for incoming export-orientated companies, ready-built factories at subsidised rents, and training grants.

The task of marketing the island is the responsibility of the Malta Development Corporation. Mr John Dalli, the Minister for Economic Affairs, has appointed Professor Joe Bannister as chairman of the MDC, based partly in Malta and partly in London.

The key element in the new strategy is the development of a network of contacts, particularly in the US and Europe. These intermediaries will spotlight companies and help vet them at an early stage, so that scarce resources can be concentrated.

In London, the main international office of MDC, the adviser is Mr Arno Nash, who has wide knowledge of electronics manufacturing and who set up factories in Malta for General Instruments and for Toko, a Japanese manufacturer.

There is a special arrangement in the US, where Mr David Diebold, formerly a senior adviser to the Reagan administration, and the Washington legal firm of Dechert Price Rhoads have been contracted to seek out business from US companies. The firm will get paid by results, with a 2 per cent commission on net investments up to a maximum of $100,000 per contract.

Similar arrangements are being worked out for western and central Europe, with an agent based in Germany, which has traditionally been Malta's most active investor. "This concentration of effort will gain great credibility if we can achieve the first results quickly. It looks very promising," says Prof Bannister.

The next stage of the plan will be to develop a science park next to Malta's 400 year old university outside Valletta. There is finance available for the building over the next 18 months of 60 to 70 manufacturing units to enable high technology companies to develop their own research and development facilities on the island.

Tourism will continue to be Malta's biggest revenue earner for the foreseeable future, but it too is subject to fashion and adverse economic pressures as well as being seasonal. The government's intention is to generate permanent high-skill jobs that will guarantee employment and bring the economy up to western European standards.

To the visitor to Malta, the optimism and confidence have a familiar ring, but over the last few years the high hopes of successive governments have only intermittently been fulfilled. This time the Libyan ghost appears to have been exorcised and there is a more coherent strategy in place.

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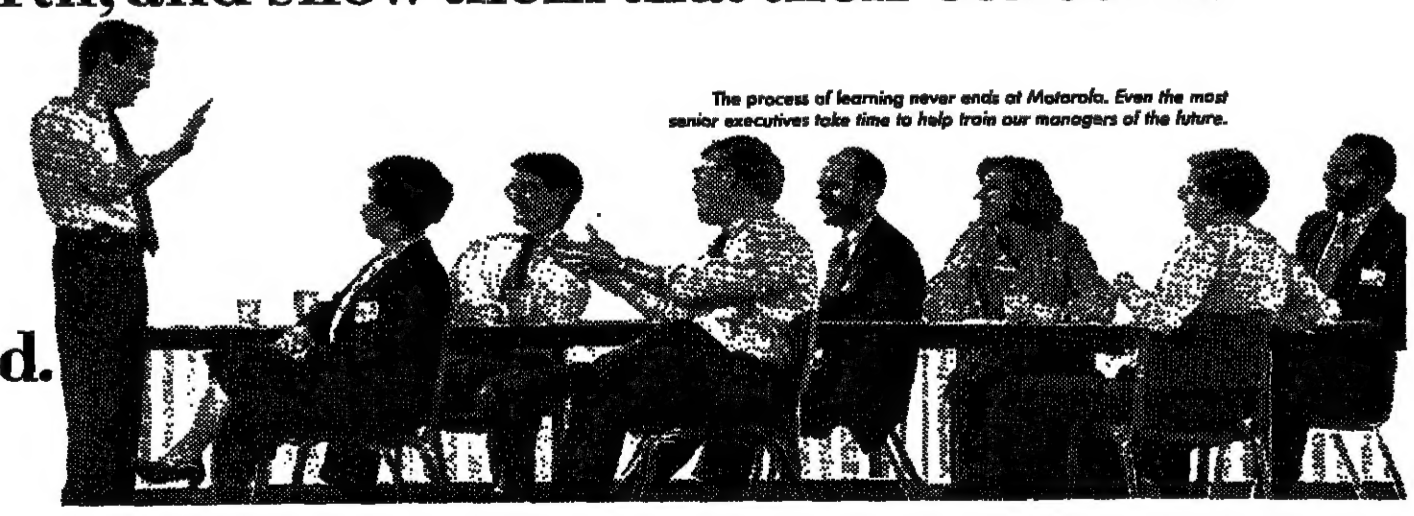
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US Congress defies Bush and cuts off aid to Zaire

By Lionel Barber in Washington

THE US Congress has defied the Bush administration and cut all military and economic aid to President Mobutu Sese Seko of Zaire, a long-standing US ally in Africa.

The Congressional action severs $4m in military aid and means that $40m in economic aid can only be funnelled through humanitarian agencies which have no connection with the Zairian government.

The move follows widespread criticism of Zaire's human rights record as well as accusations that Mr Mobutu has used his Washington connection to siphon off a personal fortune running into hundreds of millions of dollars.

The cut-off could affect a combined US, Soviet and Portuguese effort to reach a peace settlement in neighbouring Angola.

Though his influence has declined, Mr Mobutu was until recently a mediator in the Angola conflict as the promotor of "African solutions to African problems."

Congressman Stephen Solarz, the Brooklyn Democrat who led the fight to cut off aid, rejected such suggestions: "What jeopardises regional stability is the existence of a 'kleptocracy' in Zaire that has driven the standard of living lower than it was at the time of independence three decades ago."

The US State Department, which resisted the Congressional action, has raised concern that Mr Mobutu's tentative reform efforts could be undermined.

In the past 12 months, these efforts have included lifting a ban on opposition parties and independent newspapers.

Mr Mobutu's connections with the US go back 25 years when he seized power in the mineral rich former Belgian Congo, which some academic experts believe was assisted by the Central Intelligence Agency. Mr Mobutu flourished during the period of east-west confrontation.

The end of the cold war has diminished Mr Mobutu's leverage over the superpowers; it has also encouraged Congress to reassert the importance of human rights and high principle in US foreign policy – the same spirit which helped to topple dictators and former US allies such as President Marcos of the Philippines and President Somoza of Nicaragua.

Baker finds hardline mood in Saudi Arabia

By Michael Field in Riyadh

MR James Baker, the US secretary of state, arrived in Saudi Arabia yesterday to find both the Saudi people and the Kuwaiti government-in-exile in a militant mood over the confrontation with Iraq.

Sheikh Jaber al-Ahmad al-Sabah, the Emir of Kuwait, said at the start of talks with Mr Baker which took place in the mountain resort town of Taif: "I would like my country liberated today rather than tomorrow."

Mr Baker, on the second leg of a Middle East and European tour intended to confirm the solidarity of the US and Saudi-led alliance against the Iraqi occupation of Kuwait, was due to meet King Fahd and senior Saudi ministers in Jeddah last night.

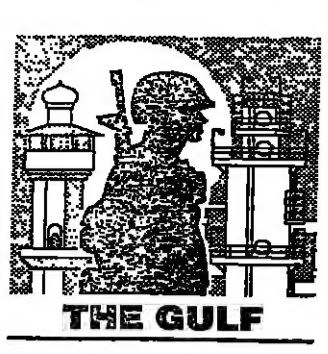
Little has been said officially about what Mr Baker and King Fahd would discuss, but it is thought that an important part of their talks would be concerned with when and under what conditions the allies should launch a military assault to drive Iraq out of Kuwait.

"This crisis is entering a new phase," Mr Baker said before leaving Taif for Jeddah.

"While we are still seeking a peaceful political and diplomatic solution, we have to put ourselves in a position where we would be able to exercise any options that might be available," the US secretary of state added.

The view among members of the Saudi royal family and other figures in the establishment here is that King Fahd may urge the US to attack the Iraqis forces as soon as possible, but more likely will tell Mr Baker that he will accept whatever decision Washington takes over military action.

The mood in Saudi Arabia in



the last week has been noticeably militant.

The Saudi media has been playing up hardline Bush administration statements and paying less attention to the more conciliatory stand of France and the Soviet Union.

Saudi opinion is almost uniformly in favour of military action. The common prediction is that the allies will win in a matter of days.

There has been much speculation about the date of an attack, with the current favourites being moonless nights in the middle of this month or next. Moslem holy men, whose sermons are broadcast from the mosques by loudspeakers, have been heard calling for a *jihad* (holy war) against Mr Saddam Hussein.

Saudi officials say that reports 10 days ago that Prince Sultan, the minister of defence and a full brother of King Fahd, favoured a compromise solution – which might involve Kuwait giving two islands to Iraq after an Iraqi withdrawal from the country – were based on the selective quotation of a long interview he gave to Palestinians and Lebanese journalists.

People close to Prince Sultan now say that he had made it clear at the beginning that the acquisition of territory by force was totally unacceptable, but had gone on to say that generally the Arabs should never resort to violence over small territorial issues.

If the Kuwaitis had wanted to settle their border dispute by giving Iraq some territory, this would have been a proper brotherly Arab solution, he suggested.

A statement by Prince Sultan in September that Saudi Arabia should not be used as a base for any military assault is said to have reflected the mood of the time, when sanctions were new, reports of atrocities in Kuwait fewer and hopes of a peaceful solution higher.

Later this week Prince Sultan is scheduled to visit Saudi Arabia's Eastern Province, where the military build-up is under way, and is expected to make statements which will be much tougher than before.

S Korea's ruling party holds last-ditch talks to end crisis

By John Ridding in Seoul

SOUTH Korea's President, Mr Roh Tae Woo, today will meet Mr Kim Young Sam, his number two in the ruling Democratic Liberal Party, in an attempt to resolve a factional dispute which threatens the unity of the party.

Mr Kim, who returned to Seoul yesterday after boycotting party activities since the end of last month, will decide after the meeting whether to withdraw himself and members of his faction from the DLP, which is facing its worst factional feuding since it was formed in February.

The current dissension in the DLP was triggered by the question of whether to adopt a parliamentary cabinet system of government in preference to the existing presidential system. But it has developed into a struggle for power between the party's various factions.

Mr Kim Young Sam, who is seeking the party's nomination for the presidential election in 1992, is opposing the constitutional reform sought by President Roh and members of the former Democratic Justice Party. The DJP merged with

Kim Young Sam: ambitious

Mr Kim's Reunification Democratic Party, and the New Democratic Republican Party, a smaller opposition group, to form the DLP.

Mr Kim, who is executive chairman of the DLP, has also called for stronger party discipline and has demanded greater powers in the running of the party. Fifty national assembly members who belong to Mr Kim's faction have threatened to leave the DLP in support of Mr Kim.

Differences over the introduction of a cabinet system of government were narrowed following a series of meetings at the weekend. Members of the former DJP and NDRP factions now seem prepared to postpone a revision of the constitution in order to prevent the break-up of the party.

However, Mr Kim's calls for greater discipline and greater powers in running the party have been greeted with suspicion by opponents within the DLP.

Members from the other factions believe he is trying to guarantee his succession to President Roh, who steps down in 1992, and are advocating a competitive election to determine the party's presidential candidate.

In addition, the series of disagreements has prompted a split between Mr Kim Young Sam and Mr Kim Jong Pil, leader of the faction comprised of the former NDRP. Mr Kim Jong Pil said he could "no longer tolerate" the behaviour of his party colleague.

Pentagon to send thousands of reservists to Gulf

THE PENTAGON intends to activate thousands of troops from the military reserves to bolster the 220,000-strong US force in the Gulf, Defence Department officials said yesterday, Lionel Barber reports from Washington.

The call-up is likely to take place over the next two months. The aim is to strengthen fighting units in the Gulf and to help rotate some of the forces deployed in the region since Iraq's invasion of Kuwait on August 2.

US officials said no final decision has been made on the number of military reservists to be called up. But Mr Richard Cheney, US Defence Secretary, said last week that the US might send up to 100,000 additional troops to the region to confront more than 435,000 Iraqi soldiers dug into Kuwait.

The Pentagon had opposed calling up combat reservists because the time needed to train them cut into the 180-day limit they could serve. But Congress last week opened the way for a wider call-up when it doubled the limit on active duty service for combat reservists to 360 days.

So far, 34,000 reservists have been mobilised to perform support roles such as mechanics, cooks, and mail handlers in the Gulf.

Reuter adds from Nicosia: Packed with warplanes and missiles, the US aircraft carrier Midway steamed up the Gulf yesterday .

The Midway and seven escort vessels boosted a force that already includes about 70 warships, aircraft squadrons, and more than 310,000 men to counter Iraq's hold on Kuwait.

The carrier is the second US carrier to enter the Gulf since Iraq's August 2 invasion of Kuwait.

Sending the Midway into the Gulf puts targets in Iraq and Iraqi-occupied Kuwait within range of the carrier's 75 warplanes without the need for refuelling. The warship has seven escorts.

Three other carriers are in the region, the Independence in the Northern Arabian Sea, the Saratoga in the Red Sea and the *John F. Kennedy* in the Mediterranean.

Airline fares to rise by up to 8%

By Paul Betts, Aerospace Correspondent

INTERNATIONAL airlines have agreed to increase passenger and cargo fares for the second time since the Iraqi invasion of Kuwait, to offset higher fuel and other operating costs.

The latest round of fare increases involves a 4 to 8 per cent rise in international passenger air fares and a 3 to 7 per cent rise in cargo rates, the International Air Transport Association (Iata) said yesterday.

The new fare increases, agreed at a four-day Iata tariff conference in Geneva, follow a 5 to 7 per cent increase for international passenger air fares and an 8 per cent increase for cargo rates in September.

Iata said the new fare increases would now be put to governments for approval and should come into force during the middle of next month.

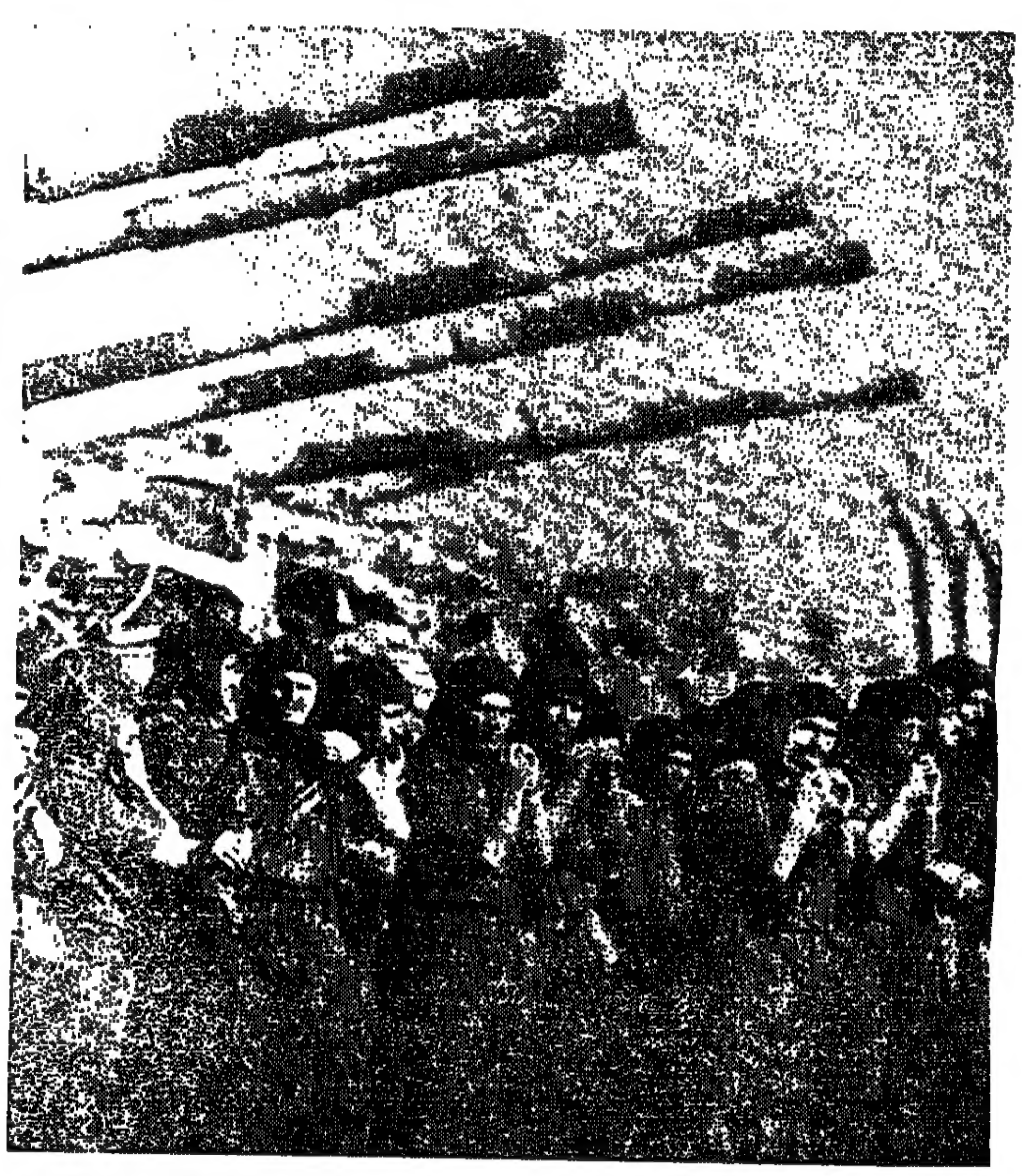
The organisation, which groups together 200 airlines, said that the fare increases would help airlines recover, at least in part, continued rises in costs, especially fuel. Aviation fuel costs account for between 10 and 25 per cent of total international airline operating costs.

Even before the Gulf crisis sent fuel prices soaring, airline profitability was coming under pressure despite a 7 per cent increase in both passenger and cargo traffic last year.

However, the Iraqi invasion and the volatility of aviation fuel prices are having severe repercussions on the financial performance of airlines.

Mr Gunter Eser, the Iata director general, estimates that airlines will report a cumulative net loss of more than $2bn (£1bn) on their international operations this year, compared with a profit of $300m last year.

Mr Eser also warned at the Iata annual meeting last week that the eventual recovery prospects for airlines were threatened by the problems of congestion in the sky and on the ground at airports, which could undermine longer term growth prospects for the industry.



More than 100 Syrian tanks and 2,500 soldiers (above) arrived in Saudi Arabia at the Red Sea port of Yanbu at the weekend to bolster the multinational forces confronting Iraq. The increase of the Syrian contingent to as many as 20,000 men may help to allay fears among the allies lined up against Baghdad that Damascus is having second thoughts about where its loyalties should lie in the Gulf crisis. Last week Syrian officials sharply criticised the US, accusing it of using the crisis as an excuse to supply Israel with more military aid.

CORRECTION
Universal Bank

The Financial Times very much regrets the inclusion of Universal Bank in a list of 11 Lebanese local banks reported on Thursday of last week to have been offered credits by the Banque du Liban to stave off a liquidity crisis.

The bank is not facing a liquidity crisis and has not received, been offered or applied for any such loan. Its name should not have been on the list.

It follows that the allegation made later in the article concerning businesses run outside Lebanon has no application whatever to Universal Bank or those responsible for its management.

The Financial Times is pleased to take this opportunity of correcting the error and unreservedly apologises to the bank and its managers.

Zambia copper strike ends

By Mike Hall in Lusaka

MORE THAN 1,000 workers at Nchanga, Zambia's largest copper mine, agreed to return to work yesterday after a partial strike forced the closure of ore processing facilities over the weekend.

The action, which was not supported by the mineworkers' union, followed a rumour that demands for a 200 per cent wage rise had been rejected by the state-run Zambia Consolidated Copper Mines. "The rumour is unfounded," said a union official.

"We are due to begin talks on a new agreement this week and miners' expectations are high. The situation is so volatile that anything can happen when you least expect it."

A ZCCM statement said the majority of striking workers had returned to work yesterday after union officials had warned miners that their action could jeopardise the outcome of talks on a new agreement.

Nchanga, the second largest open-pit mine in the world, accounts for about 40 per cent of Zambia's total annual production of 450,000 tonnes of copper.

Iraq would 'hit Israel first'

IRAQ would aim its first missile at Israel and fight with chemical and biological weapons if war broke out in the Gulf, Palestinian leader Yassir Arafat was quoted as saying by a Tunisan newspaper yesterday, Reuter reports from Tunis.

The independent al-Sabah, which has connections with Mr Arafat's Palestine Liberation Organisation, said he made the remarks to a closed meeting of PLO leaders and officials in Tunis last Friday.

Mr Arafat, closely allied to Iraqi President Saddam Hussein, saw the Iraqi leader in Baghdad earlier in the week.

He was quoted as saying: "The threat to hit Iraq with a nuclear bomb means that the Iraqi army. . . will aim to use binary chemicals and anthrax in the war and that the first missile will be launched against Israel." It did not explain who was making the nuclear threat.

Bank of Israel leads the criticism of Sharon plan

By Hugh Carnegy in Jerusalem

THE Israeli government has come under strong criticism from parties as diverse as the Bank of Israel and some of its own ministers over its latest attempt to head off a looming housing crisis caused by a swelling tide of Jewish immigrants pouring in from the Soviet Union.

A majority cabinet decision on Sunday handed Mr Ariel Sharon, the housing minister and immigration chief, the power to award land and building contracts through closed tenders or, in "special cases" not so far defined, without the issue of any tender at all.

Mr Sharon insisted the move was required to cut through red tape and speed housing starts which are lagging far behind demand. But opposition MPs, the governor of the Bank of Israel, the attorney general and four cabinet ministers strongly objected.

Prof Michael Bruno, the Bank of Israel governor, objected that the provision set no time limit or limit on the amount of building it would cover.

The Citizen's Rights Movement said the way was clear for contractors close to the ruling Likud party "to line their pockets". Mr Arye Deri, interior minister, said the likely flood of legal objections would negate the attempt to speed the building process.

The provision underlined the alarm in government over the shortage of housing. Already more than 120,000 Soviet Jews have arrived in Israel this year. At least another 50,000 are expected by January. Many will soon be directed to army bases and hotels as housing runs out.

A record 20,324 immigrants came in October, but in November and December 75,000 immigrants are to arrive, followed by 400,000 in 1991.

Mr Sharon has said Israel expects a million by 1992, about 25 per cent of Israel's existing population.

The housing shortage last week prompted Mr Yitzhak Moda'i, the finance minister, to reverse his previous commitment to leaving provision of housing mainly to the private sector.

He said he now supported large-scale public spending on housing and also supported the latest measure at Sunday's cabinet meeting.

Protests in Dhaka over propaganda

ABOUT 3,000 people demonstrated yesterday outside radio and television centres in Bangladesh yesterday against what they called government propaganda on the state-run media, Reuter reports from Dhaka.

The protests were the latest act in an opposition campaign that began in 1987 for President Hussain Muhammad Ershad to resign and hold free elections. In October, eight people were killed during anti-government protests.

Hunger strike

More than 160 jailed Moslem militants have gone on hunger strike in Tunis, demanding the status of political prisoners and a right to pray together, the Islamic Nahdha (Renaissance) Movement said yesterday, Reuter reports from Tunis.

Most of the group, held in the capital's Civil Prison, were detained over the past 10 days, a spokesman said.

Air sale blocked

The United States has prevented Vietnam from buying two European Airbus A310 aircraft that the communist country desperately needs to upgrade its national carrier, a Vietnamese government official said yesterday, Reuter reports from Hanoi.

He said the terms of a US trade embargo blocked the sale because although the aircraft was manufactured by a European consortium it had US-made engines.

PLO calls for UN session on Gaza

THE PLO asked Arab and other friendly countries yesterday to request an emergency meeting of the UN Security Council to discuss developments in Gaza Strip and the West Bank, Reuter reports from Nicosia.

Mr Bassam Abu Sharif, spokesman for Mr Yassir Arafat, the Palestinian Liberation Organisation chief, said in Algiers that the PLO was discussing the call with the Arab League and separately with league members.

"The five permanent members of the Security Council are called upon to shoulder their responsibilities in face of the explosive situation in the Israeli-occupied territories," he said.

At least 185 Palestinians were wounded in two days of rioting in the Gaza Strip, which remained under curfew yesterday according to reports from Israel. However, Mr Abu Sharif said more than 1,000 Palestinians had been wounded in the past 72 hours.

Saudis watch the panic turn to mini boom

Michael Field reports on a resurgence of confidence in the economy of the kingdom

"EVERYTHING has been different since the Iraqis went into Kuwait on August 2," said the managing director of one of the biggest Saudi trading and industrial groups. "There's a pre-August 2 economy, and a post-August 2 economy. And since the crisis began we have had an initial phase of panic and the present phase of mini boom."

The panic stage, in the first 10 days of the crisis, saw thousands of Saudis and expatriates leaving the Eastern Province, the oil-bearing part of the kingdom, which it was feared the Iraqis would invade. Small businessmen with balances of between 500,000 and 1m riyals ($125,000-$250,000) pulled their money out of the banks and kept the cash at home.

By the middle of September things were returning to normal. Most of the money was back in the banks and the Eastern Province population was returning, led by the expatriates. Small traders began to experience a boom, which is continuing.

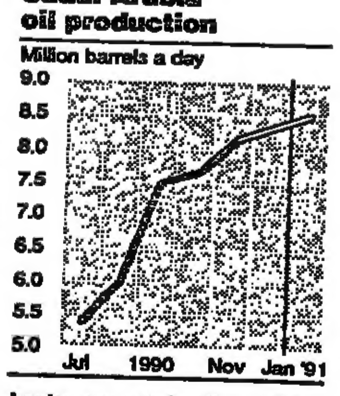
The arrival of the American forces and the programme of expanding oil production, which involved an influx of foreign contractors, led immediately to heavy demand in the property market. This traditionally has been the most important source of income for the Saudi private sector. At present in the Eastern Province every apartment, housing compound, villa and warehouse of reasonable quality has been filled.

Landlords are telling their tenants that when their contracts are reviewed, which is normally done annually, their rents will be raised by anything between 50 and 100 per cent. In some cases they are demanding an immediate increase of 25 per cent, which strictly speaking is illegal but, as a hospital owner in Alkhobar remarked: "If you're talking about a free market, there's no place like Saudi Arabia."

All over the kingdom businessmen are benefiting from the Government bringing itself up to date in its payments on contracts. Since the Saudi recession began in 1984, government agencies have been finding excuses for delaying their payments to construction companies, suppliers of government tenders and wheat producers, which sell all they produce to the Grain Silos and Flour Mills Organisation. Now the Government is making all payments on time.

A feature of the boom is that it affects the Saudi economy only in a short-term sense. Rents may have risen, but land prices remain static. There is little private sector construction activity, except of prefabricated accommodation for soldiers. Nor are the bigger Saudi companies, which are more interested in industry than in property, committing themselves to new projects. The

Saudi Arabia oil production



banks are not lending. Before they commit their money investors and lenders are waiting to see how the Kuwait crisis is resolved.

This does not mean that Saudis are pessimistic about the future. Most Saudi businessmen feel that however the crisis ends the importance of their country will be enhanced. They say either Saudi Arabia will be seen as a potential counterweight to Iraq, if Saddam Hussein withdraws from Kuwait without a battle or, if Saddam's army is destroyed, the kingdom will emerge as the major Arab power in the region. They feel more confident in the long-term security of their country because it has now been proved that in an emergency they can rely on their friends in the West.

More tangibly, they see that their country is earning three times the monthly oil revenues that it was in the middle of this year. Exports are running at some 6.8m barrels a day, which at an average price of $30 a barrel yields just over $6bn a month. The expectation is that this level of revenue will continue well into next year, if not longer. In this case the $8bn deficit originally anticipated in the 1990 budget should be turned into a substantial surplus next year, even after the kingdom has contributed to the cost of the Western forces here and the losses of other Middle Eastern countries affected by the crisis.

Some of the predictions of businessmen and bankers for the Saudi economy during the next few years are as follows:

- The kingdom will be able to reassert itself in Opec and keep much of its higher current production in the form of a bigger quota.
- The members of the Gulf Co-operation Council, which groups Saudi Arabia, Oman and the Gulf states, will integrate more closely than before. They should be able to liberalise capital flows between them and resolve their differences over a common external tariff.
- Egypt will emerge as a major Saudi and Gulf ally. The oil states will provide a bigger outlet for Egyptian labour, as Yemenis and Palestinians remain out of favour. They will invest more in Egypt, enter Arabian-Egyptian joint ventures and buy the products of the ventures.
- Saudi Arabia and the Gulf states will move even closer to their main Western allies, the US and Britain.
- The finance ministry will argue for the rebuilding of its financial reserves, which saved the economy from disaster during the recession. These reserves are held by the Saudi Arabian Monetary Agency, the central bank.
- As is already apparent, there will be a fast expansion of oil production capacity, back to 10m b/d, which was the level of sustainable capacity in 1980 and 1981.
- The Saudi army will be greatly expanded, though conscription is unlikely. Expanding forces will slow the growth in Saudi unemployment and provide business for military contractors.
- The Eastern Province, which has received less attention than Jeddah and Riyadh, will be developed faster. It was intended in the mid 1980s that its development should be accelerated, but plans were frustrated by the recession.
- The rise in rents and other costs associated with economic recovery will work against the diversification of the private sector, which in the last three years has been developing industries and services which nobody thought would be economic during the high-cost boom years of the 1970s.

هيكل من الاهرام

THE NUCLEAR WASTE COVER-UP.

There are people who would have you believe that we're less than open about what we do with nuclear waste at Sellafield.

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The simple answer is that it is radioactive. And because of this it has to be managed with care.

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HIGH LEVEL COVER-UP

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A major misconception is that all nuclear waste is the same.

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INTERMEDIATE LEVEL COVER-UP

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We can recycle 97% of spent fuel into new fuel. It is the remaining 3% waste that must be carefully dealt with.

At present, high level waste is stored inside double-walled, cooled stainless steel tanks enclosed in thick concrete walls.

However, we have brought into operation a process called 'vitrification', in which liquid waste is turned into powder, converted into glass and sealed inside stainless steel containers to be kept safe for the indefinite future.

This method reduces the waste to ⅓ of its original volume.

LOW LEVEL COVER-UP

Or, if you want to look at it another way, all the high level waste produced at Sellafield in the last 30 years could easily be contained in just 4 double-decker buses.

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The scrap metal, sludge and residues that are involved in this operation are sealed in cement inside steel drums, and stored in our special encapsulation plant until a suitable long-term home has been found.

At the moment, sites at Sellafield and at Dounreay in Scotland are under scrutiny from geologists to see whether either of them is suitable for a deep underground repository.

The least radioactive waste of all is *Low Level Waste*, such as paper towels, gloves, protective clothing and laboratory equipment which not only come the nuclear industry but from hospitals, research laboratories and other industries where radioactive materials are handled.

Despite the fact that radiation from low level waste is negligible, we take no chances in the way that we deal with it.

At Drigg in Cumbria, we have built and use a concrete vault the size of 12 football pitches, and we are developing a method of compacting this type of waste, which means Drigg won't be full until well into the 21st Century.

If you'd like to know more about the way we manage nuclear waste, write to Information Services, Risley, Warrington WA3 6AS for our nuclear waste brochure, or our video.

Better still why not come and visit us at the Sellafield Visitors Centre in West Cumbria.

You'll discover that the future of nuclear waste couldn't be in safer hands.

BRITISH NUCLEAR FUELS
Managing waste at Sellafield.

Florida governor's race centres on style, not substance

Peter Riddell looks at how Lawton Chiles' 'anti-campaign campaign' might succeed against a more traditional opponent

THE grey-haired candidate stands on the make-shift platform in an open-necked blue and red plaid shirt looking like one of the many local retirees out for a walk. He preaches a populist message. "If we win, politics won't be the same in this country. We've got to stand up to the wealthy special interests."

In an election season of big money and negative campaigning, Democrat Lawton Chiles stands out. He is fighting an anti-campaign campaign. He has limited contributions to $100 or less and has so far attracted $5m from 75,000 people.

His style is informal and is deliberately contrasted with the usual slick media events. When former President Ronald Reagan appeared at a $1,500 person Republican fund-raising reception, Mr Chiles responded with a $1.50 a head party serving hot-dogs.

At a rally in the mainly black Liberty City area of north Miami, he said, "you're going to find one candidate in a fancy airplane, landing at an airport, trying to get that television (coverage), and flying off again. And you're going to find the other candidate out here walking, talking to his friends."

Americans go to the polls today to elect a third of the Senate, the whole House of Representatives, and 36 state governors, including those for all the largest states.

Mr Chiles is, narrowly, the favourite to win the governorship of Florida – the fourth largest state – from Mr Bob Martinez, the Republican incumbent in what would be one of tonight's biggest victories for the Democrats.

Yet all is not quite what it seems. Mr Chiles, for all his charm, is no Jimmy Stewart innocent from the backwoods, naively talking of the people's rights. He retired two years ago after 18 years in the US Senate, ending as chairman of its budget committee. He left saying he was burned out and describing Washington as like "being in prison".

But this spring Mr Chiles heard the call of politics again and won, by a two-to-one margin, a bruising race for the Democratic nomination. His campaign has skilfully combined his enormous name recognition and his populist "time for a change" appeal. Who better to exploit this theme than a well known politician not at present in office?

Mr Chiles has in part re-created his original campaign of 1970 when he walked the 1,100 mile length of Florida and limited contributions to $10, rather than the current $100 – such is the inflation of the past 20 years. He subsequently won re-election comfortably.

In conversation Mr Chiles admits that he would have found it hard to campaign and limit contributions as he has without already being well-known.

Moreover, it has been a risky strategy. He started off with a 20 percentage point lead and several advantages. Governor Martinez had made himself very unpopular by at first breaking a campaign pledge and introducing a tax on services and then reversing himself – he now opposes higher taxes.

Mr Martinez was then rebuffed by the state legislature over his proposals to restrict abortion, a key issue with many women voters. Yet Mr Martinez has a proven administrative record.

The governor has campaigned in what is now the traditional way – raising more than $10m, outspending Mr Chiles by a two-to-one margin and offering smoothly packaged films about his record and family values. They have featured the state's electric chair, a not-so-subtle reminder of his decision last year to allow multiple murderer Ted Bundy to be executed.

Mr Martinez has now narrowed the gap to a few percentage points. Yet Mr Chiles remains the favourite in a state which has been going increasingly Republican over the past decade. He is generally judged to have won the only televised debate of the race on points.

Evidence of Mr Chiles' popularity came on Saturday afternoon in Little Havana, the largely Spanish speaking Cuban emigrant area. The Cuban exile community has been strongly Republican in national elections, yet the 50 per cent Hispanic district of Miami and Miami Beach returned liberal Democrat icon Claude Pepper for years to Congress, either unopposed or by large majorities.

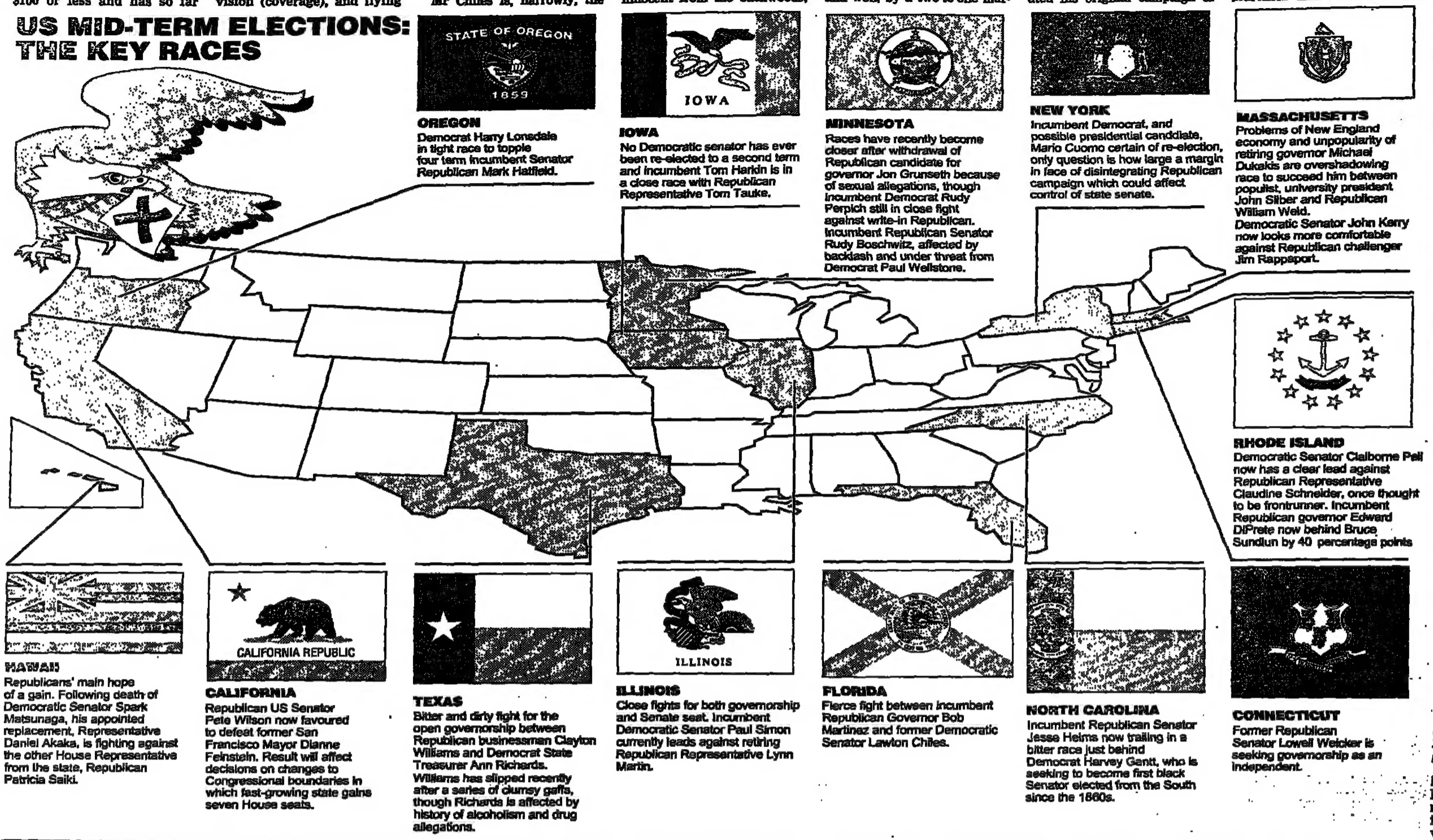
The Cuban community is now split over the race. Several Cubans to whom I spoke said they were registered Republicans but would be voting for Mr Chiles, admiring what he had done for them as a senator. At a rally Mr Chiles, and former governor and current US Senator Bob Graham, spoke of their support for a free Cuba and opposition to President Castro, as all candidates naturally do there.

Mr Chiles' campaign is all about political style. He is vague on the substance of policies. It is an appeal to personal decency.

To listen to Mr Chiles or Mr Martinez you would not think that there had been a national budgetary or Gulf crisis.

The Florida result matters not least because the governor will have a say in the changes of Congressional district boundaries as Florida is due to gain three to four House seats.

If Mr Chiles wins, it will be a blow to the Republicans establishing themselves as the majority party in the state. But it will be essentially a personal victory.



Milken to know fate next week

By Nikki Tait in New York

MR Michael Milken, former head of the junk bond department of Drexel Burnham Lambert, the now-defunct investment house, will be sentenced in Manhattan next week. No precise date has been fixed.

Mr Milken has pleaded guilty to six charges related to securities law violations and agreed to pay $600m in fines and restitution. However, sentencing was delayed while Judge Kimba Wood heard testimony on other alleged misconduct by Mr Milken.

The government has argued that, because one of the charges is a broad conspiracy charge, this should be taken into account in sentencing.

Talks on Brazil debt set to resume

By **Stephen Fidler** in London and **Christina Lamb** in Rio de Janeiro

BRAZIL'S leading creditor banks, set to resume talks in New York today with the country's debt negotiators, are expected to present a proposal which would erase the country's interest arrears to banks.

Brazil owes about $8.3bn (£4.23bn) in back interest to creditor banks. The arrears constitute a significant obstacle to an agreement with the banks, led by Citicorp of the US, which would like to see this issue resolved before commencing wider negotiations.

The banks' proposal is understood not to address the broader rescheduling and debt reduction agreement being sought by the Brazilians, represented at the talks by Mr Jorio Dauster, chief debt negotiator, and Mr Ibrahim Eris, head of the central bank. It would be a surprise if the Brazilians found it acceptable.

The banks rejected a broad proposal delivered by the Brazilians at meetings in New York last month, saying it did not represent a basis for negotiation. Banks calculated that the options being presented by Brazil had a value of between 2 and 10 cents on the dollar on their current loans.

Brazilian officials reiterated yesterday their desire for an agreement. However, Ms Zelia Cardoso, economy minister, reiterated the country could not afford to pay more than $1bn a year for debt service.

The Brazilian government's preliminary estimates, based on zero economic growth next year, suggest there will be at most $1.1bn available to service foreign debt next year.

Since the first round of talks on October 12 the Brazilian government has won support for its proposal from the Senate and sought backing from business.

Before leaving for the second round of negotiations Mr Dauster told the Brazilian financial journal Gazeta Mercantil: "The negotiation is complex and has to be viewed with calmness and professionalism. It will not be resolved in the second or third meeting."

Tourists injured in Chile blast

By Leslie Crawford in Santiago

THREE British tourists, two US marines and two Chileans were injured when a home-made bomb exploded inside a restaurant in the Chilean seaside resort of Viña del Mar.

No one claimed responsibility for the weekend attack, but police said extremists could have planted the bomb to protest against the presence of the US aircraft carrier Abraham Lincoln, which is believed to carry nuclear weapons, in the neighbouring port of Valparaiso.

It is the first time foreigners have been the victims of a terrorist attack in Chile.

US considers more Soviet consulates

THE US would like to open diplomatic posts in republics of the Soviet Union although plans are being blocked by lack of funds, State Department officials say, Reuter reports from Washington.

One official said the rapid disintegration of central authority in the Soviet Union meant that power was rapidly moving to the republics.

"We mean to increase our ties and contacts with the republics directly, openly and publicly. Eventually we hope and expect to have several more diplomatic outposts in the Soviet Union," the official said.

He added there were difficulties, notably a lack of money because of the US budgetary crisis. The drop in the value of the dollar against European currencies had also made the plan more difficult.

At the moment the US has diplomatic representation only in Moscow and Leningrad.

It hopes to open a consulate in Kiev within the next few months, after years of delays caused first by political disagreements with the Soviet authorities, then by health fears after the 1986 Chernobyl nuclear disaster.

The official said Washington would like to have smaller diplomatic offices staffed by three to five people in several other regions.

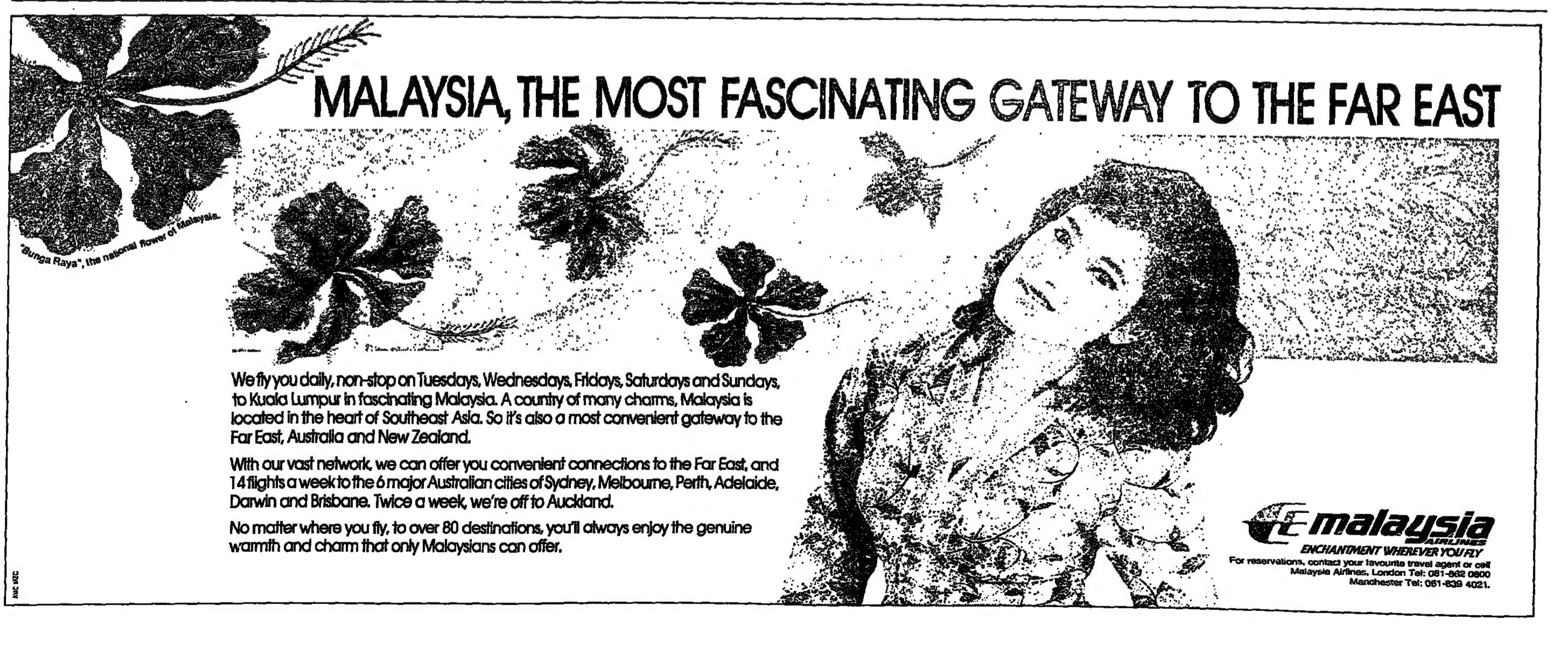
"We would like to have people in the Soviet far east, in Siberia, along the Pacific coast, also possibly in Georgia or Armenia. We are also looking at central Asia and Belorussia.

"The thought of doing this just occurred recently and it would need to be negotiated. The Soviets presumably would want reciprocity," the official said.

US policy-makers have had their attention fixed firmly on the Gulf and have had little time to devote to Soviet developments in the past three months.

But analysts and officials say the republics are seizing increasing amounts of power at the expense of a largely unresisting central government.

"The Soviet Union is simply spinning apart," said one official.



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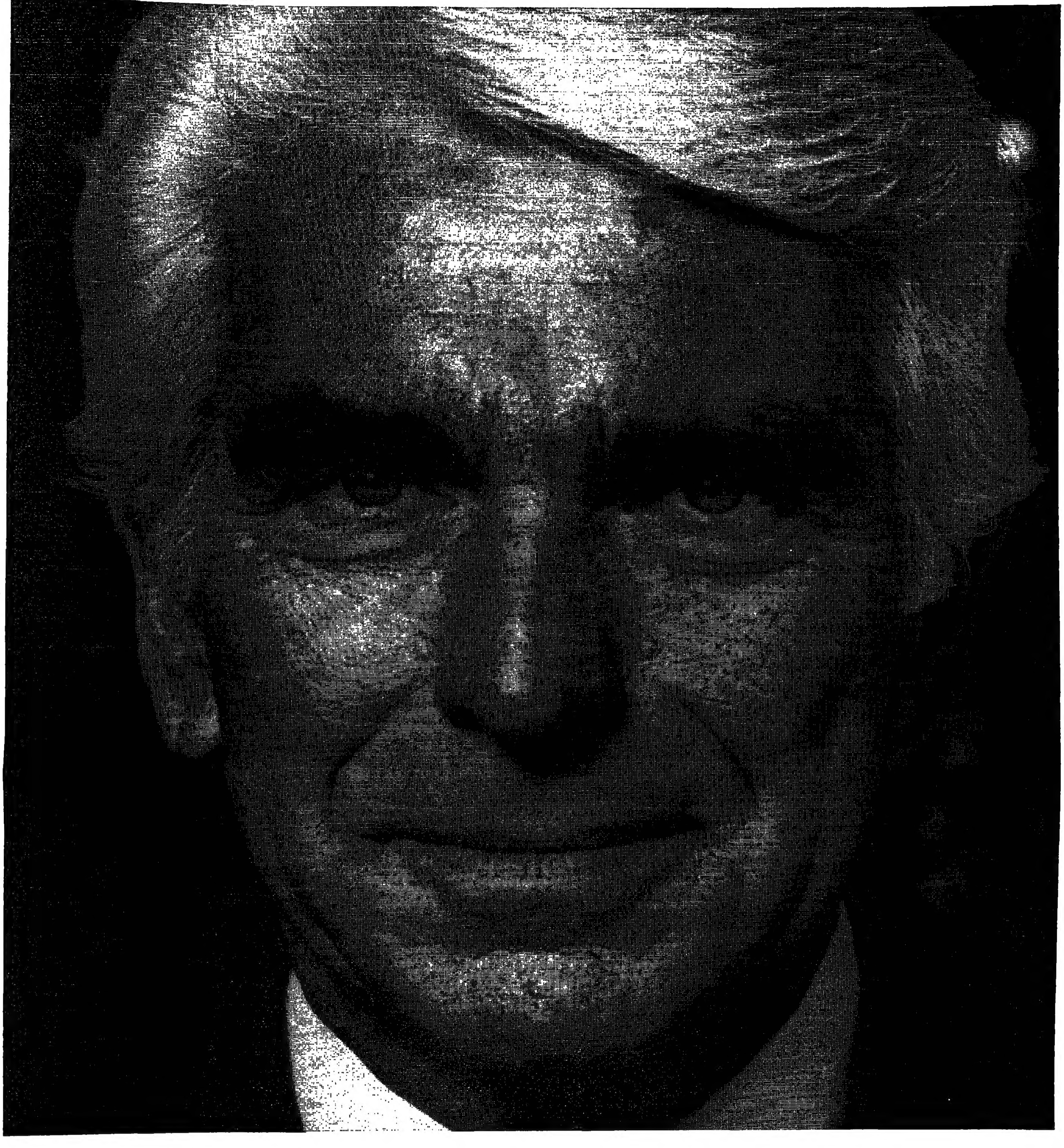

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Because of this, Warren Bennis believes managers are the key obstacle to company development.

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Suzuki pact to make small cars in China

SUZUKI MOTOR of Japan yesterday announced an agreement to produce small cars in Chungking, China, through a consortium of three state-owned companies, Robert Thomson reports from Tokyo.

Under a technical exchange agreement, assembly of the 800cc vehicles begins this month.

Suzuki said about 400 vehicles will be completed this year, with a target of 1,000 next year, and 10,000 a year later on.

Production levels will depend on the hard currency provided by the Chinese companies, the China National Aeronautic Technology Import and Export Corporation, the Jilin First Automobile Factory, and China North Industries Corporation (Norinco).

Suzuki signed its first technical co-operation pact in China in 1984, and, apart from light commercial vehicles, has agreements to assemble motorcycles in three cities.

Suzuki said the small cars will be sold under a Chinese brand name, Changan.

A Japanese trading house, Wako Koeki, which exports drilling equipment to China, will act as financial intermediary in the deal, paying the Japanese company yen after swapping currencies on local markets.

Canada fights to protect its dairy farmers

Bernard Simon on how Ottawa keeps a powerful lobby from becoming a dying breed

A TV commercial showing the gradual decay of a prosperous and picturesque dairy farm has brought the Uruguay Round of trade negotiations into the sitting rooms of millions of Canadians in the past few weeks.

The ad, which notes that "every time a dairy farm dies, part of Canada dies too", is part of an intense lobbying effort by Canada's 36,500 milk producers to ensure that whatever concessions Ottawa makes in the Uruguay Round do not undermine the supply-management system which has sheltered them from market forces for the past 20 years.

The dairy farmers, together with poultry and egg producers who operate under similar arrangements, have already succeeded in getting a special deal for themselves in the concessions offered by Ottawa. While Canada has proposed cutting in half export subsidies and domestic supports on grain, red meat and oil seeds, its offer on dairy and poultry products would lift import access to only 5 per cent of total domestic consumption.

The special treatment for supply-managed sectors has opened a rift between Canada and the other members of the Cairns group of farm-exporting countries. Although Canada is a founder of the group, it has offended other governments by trying to reconcile Cairns' support for bringing down barriers on farm trade with its own insistence that supply-management systems must be retained, if not strengthened.

The dairy farmers justify their position by pointing to opinion polls which show that Canadian consumers want the country to be self-sufficient in milk products and are willing to pay a premium to achieve that goal.

They also argue that by keeping the business profitable, the supply-management system has drawn more youngsters to dairy farming than any other sector of agriculture.

But there is more to the dairy lobby than that. As Prof Sandy Warley, head of agricultural economics at the University of Guelph near Toronto puts it, no Canadian government would dare tamper with dairy policy "without some trepidation." Dairy farmers owe much of their clout to their strong presence in Quebec, and to the francophone province's disproportionate political influence in Ottawa.

Almost half of Canada's dairy farmers live in Quebec. Within the province, 48 per cent of all farms have some dairy activity and milk products contribute about a third of total farm income.

The conventional wisdom in Canadian politics is that no party can win a general election without carrying Quebec. Not only does the province elect 75 of Canada's 295 members of parliament, but about two-thirds of the Quebec constituencies are in predominantly rural areas.

Supply-management has served farmers well, especially those who were allocated production quotas when the system started in the early 1970s.

The aim is to balance the supply of milk against demand for dairy products. This is achieved, firstly by keeping out imports of almost all items, except some cheeses and other special products; and secondly by a complicated system of production targets, support prices, quotas and government subsidies.

In recent years, the government has forked out about C$280m (£123m) a year in direct payments to industrial milk and cream producers to maintain target prices.

Supply-management has succeeded in keeping retail prices stable, but at far higher levels than across the border in the US. Milk bought at a corner store in Toronto is between 25 per cent and 60 per cent more expensive than 80 miles away in Buffalo, New York.

Besides the advantage of a steady income which covers costs, the main benefit of supply-management to producers is in the value of the quotas they hold and trade.

An official of the Quebec milk producers' federation estimates the average quota held by a Quebec dairy farmer at the equivalent of 5,000 kg of butterfat, putting an average value on a farm's quota of about C$125,000. The federation estimates that the quota currently represents about 40 per cent of the total value of the typical Quebec dairy farm.

There are unmistakable signs, however, of some erosion in the supply-management system, and thus in the value of the quotas.

A panel of the General Agreement on Tariffs and Trade (Gatt) panel last year upheld a US complaint against Canadian curbs on imports of ice cream and yoghurt. It may be only a matter of time before curbs on cheese face a similar challenge.

The US-Canada free trade pact and the Uruguay Round have also raised the spectre of liberalised trade in dairy products. Dairy Farmers of Canada, the industry's main lobby group, estimates that the difference between Ottawa's Uruguay Round offer of a 5 per cent market-share for imported dairy products and its own proposal of a 3 per cent ceiling would cost farmers C$60m-C$70m a year in lost revenues.

These factors have kept quota values below the peaks reached in mid-1987, when the fluid milk quota in Quebec was trading for C$405 a litre.

Researchers at the University of British Columbia suggest that Canadian farmers have kept their costs sufficiently low to compete successfully in a liberalised trade environment. They might also be in a position to become sizeable exporters.

But the farmers are concerned that any advantage gained from higher output may be offset by lower prices. Prof Warley predicts that they "will fight to the death to preserve the value of these assets." If he is right, Canada is likely to continue pressing its trading partners for special treatment.

Cairns Group gives EC 10 days to start serious farm talks

By William Dullforce in Geneva

THE CAIRNS Group of 14 farm exporting nations, led by Australia, yesterday gave the EC 10 days in which to start serious world farm trade reform talks.

Without real progress by mid-November, the group would have to reconsider the nature and purpose of the Brussels meeting in the first week of December, at which trade ministers are due to complete the four-year Uruguay Round trade talks, Mr Neall Blewett, Australia's Trade Negotiations Minister, said.

Further EC procrastination on farming would put the Round and the multilateral trading system at serious risk, the Cairns Group ministers said after meeting here. The group comprises Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay.

The threat to the talks and especially to farm reform was underlined by the arrival here yesterday of Mrs Carla Hills, US Trade Representative, to assess the situation. She is expected to meet Mr Frans Andriessen, EC Trade Commissioner, today. But Mr Andriessen was embroiled yesterday in the EC farm and trade ministers' seventh attempt in three weeks to agree on farm support cuts. By late afternoon, it was still not certain he would come to Geneva today.

Urgency was added to Mrs Hills' efforts by reports that President Bush had asked his advisers to examine new US trade policy options, and a US farmers' warning that they might not give political backing to the results of the Uruguay Round, unless it produced a more substantial farm package than now seemed possible.

In a letter to Mrs Hills and Mr Clayton Yeutter, US Agriculture Secretary, 29 US farm organisations, including the 3.8m-strong American Farm Bureau Federation, said no agreement on farm reform would be better than what seemed the best the EC could offer. Meeting Mr Arthur Dunkel, Gatt director-general yesterday, Mrs Hills voiced US concern that the overall results of the Round would prove inadequate. The Trade Negotiations Committee, the Round's governing body, is due to decide how to handle the situation this afternoon.

The Cairns Group statement represented dilution of threats by Argentina that the group would walk away from the trade talks, unless it received satisfaction over farm subsidy cuts. Mr Blewett would not elaborate the options the group might consider at mid-November, but said it would be "just a pipe-dream" for countries to go to Brussels thinking that without a satisfactory farm deal, they could settle other outstanding issues there.

Urging the EC to table its farm offer without further delay, the Cairns Group stressed the offer could not have a "take it or leave it" character. The Commission would need flexibility and a mandate to negotiate cuts in the three areas of internal supports, border protection and export subsidies. If the Round failed, the EC would have to take the blame, the statement said. But Mr John Crosbie, Canada's Trade Minister, said he did not think Chancellor Kohl of Germany and President Mitterrand of France wanted to be the Smoot and Hawley of the 1990s. These were the two legislators who sponsored the US Tariff Act generally regarded as having triggered the Great Depression.

Farming in the US, Page 32

The President of the National Young Farmers and Fishermen's Federation of South Korea tried to commit suicide at the headquarters of the General Agreement on Tariffs and Trade, apparently to protest at attempts to open his country's market to imports, trade officials said yesterday, AP reports from Geneva.

Splits remain on end to investment flow curbs

By William Dullforce

WITH four weeks to go to completion of the Uruguay Round trade talks, negotiators remain deeply split on a central aim – removal of restrictions on investment flows.

A draft text of an agreement on trade-related investment measures (Trims) circulated last week by Mr Tomohiko Kobayashi, who has been chairing the negotiations, contained 125 brackets, indicating points on which no understanding had been reached.

On Wednesday, a group of delegates from some 25 countries plans to hold intensive talks in the hope of erasing the brackets. But officials believe the crucial divergences can only be resolved, if at all, by trade ministers, when they hold the Round's concluding meeting in December.

Trims is one of the Round's "new" areas alongside trade in services and intellectual property rights for which the US, the EC, Japan and other industrial nations want new rules to be included in the General Agreement on Tariffs and Trade. The US set the pace by proposing that 12 measures which governments apply to investors and investments should be prohibited or subjected to disciplines because they restricted or distorted trade.

These measures included local content rules, under which an investor has to buy a given proportion of local materials for his operations; export performance requirements obliging an investor to export a given amount of his output; product mandating under which he has to export to designated countries; and trade balancing, requiring him to use export earnings to pay for imported materials.

Many developing countries regard Trims as essential components of their development policies, and contest the need for special provisions against them in Gatt. They also insist that any new discipline on Trims must be accompanied by tighter rules against multinational companies' restrictive business practices – a demand firmly rejected by the industrialised nations.

India, Egypt and the Philippines have been active in mobilising resistance to a wide-ranging Trims agreement, while Australia has voiced reservations. A breakthrough depends in part on progress made in linked subjects such as world farm trade reform, tighter disciplines on industrial subsidies, and liberalisation of tropical products.

Battle lines are re-drawn in trade finance market

BATTLE LINES are being re-drawn in the *à forfait* specialist trade finance market, following Mr Ian Guild's resignation as chief executive of Midland Bank Aval, the Midland Bank subsidiary which is one of the "big three" companies providing this service in London, Niamh Kenny reports.

Mr Guild has taken 10 former MidAval staff to found a company under Banque Indosuez that will also provide forfaiting services. Forfaiting is a specialist finance activity involving discounting and secondary-market trading of medium-term trade paper. It is a common means of financing east-west trade.

The new company, Banque Indosuez Sogem Aval, will be a joint venture of Banque Indosuez and Sogem, the metals and minerals trading arm of Belgium's Société Générale. Indosuez will control 75 per cent of the equity, Sogem taking the rest. It aims to cover similar business to that offered by MidAval, but could extend its services to other financing techniques, such as debt-equity swaps and project finance.

The team's departure was believed spurred by proposed operational reforms at Midland, ie, MidAval's integration into the bank's trade division, Midland Montagu Trade and Project Finance (MMTPF). MidAval's remaining staff move to MMTPF.

Brussels starts potash probe

THE European Commission has opened an anti-dumping inquiry into imports of potassium chloride fertiliser, or potash, from the Soviet Union, David Buchan reports from Brussels.

European potash producers claim that, by undercutting them on price, the Soviet Union has nearly doubled its share of the EC market over three years to 11.3 per cent in 1989, while depressing their output by 7 per cent over the same period and causing them financial loss.

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Dish sales rise sharply before news of link

BRITISH Satellite Broadcasting came close to splitting satellite television receiver installations equally with Sky Television last month, according to the latest FT Satellite Monitor.

The research, carried out before news of the merger between the two rivals, showed the total number of Astra and BSB dish homes rose from 1,017,000 in September to 1,121,000 in October.

The increase followed a flat month in September when the overall base of satellite installations appeared to rise hardly at all.

The latest figures take the number of Astra dishes, broadcasting channels such as Sky Television, MTV and the Life Style channel up to 946,000 – an increase of 54,000.

The number of BSB squarials, according to the research carried out by Continental Research, increased from 126,000 to 175,000.

The monthly monitor, based on interviews with more than 5,000 adults, found a total of 205 dishes, 177 Sky/Astra homes and 28 BSB homes. The sample is then scaled up for the UK population as a whole, with a margin of error of plus or minus 50,000.

Before merger, Mr John Clemens, chairman of Continental said there had been an increase in the number of homes with satellite television. Also, more families with children said they intended to get satellite television.

Office of Fair Trading begins preliminary investigation

Watchdog may oppose merger of Sky and BSB

By Raymond Snoddy

THE SHADOW Independent Television Commission yesterday served notice that it might not go along with the merger of British Satellite Broadcasting and Sky Television.

Mr David Glencross, chief executive designate of the new authority, emphasised it was one thing for the shareholders of BSB to say they could no longer support the losses being incurred.

"It is quite another for them to imagine they can transfer or share the contract with whoever they choose," Mr Glencross said in unusually direct language for the regulatory body.

"The DBS contract is not theirs to dispose of. It is the IBA's decision," Mr Glencross added.

The aim of the new company, British Sky Television, is to transmit a new five-channel service on both the BSB and Astra satellites for at least an interim period before it becomes a wholly Astra service.

Mr Glencross warned that the IBA and the ITC, which will replace it, would be bound by existing broadcasting legislation. The rules include a prohibition on non-EC control and after 1992 rules preventing a non-domestic satellite system, such as Sky, owning more than 20 per cent of domestic satellite, such BSB.

Mr Rupert Murdoch's News Corporation, an Australian company, will own between 48 and 50 per cent of the new venture depending on whether minority shareholders keep their shares. The other four main shareholders will be Granada, Pearson (publishers of the Financial Times) Reed International and Chargeurs.

The shadow ITC cannot stop the new consortium from moving to Astra, a Luxembourg satellite system, but it could refuse permission to broadcast on the frequencies now used by BSB.

The Authority could then advertise the frequencies to see if there is another user or put them "into storage" to see whether a rival to the new BSB company emerges in future.

Meanwhile, the Office of Fair Trading began a preliminary investigation to see whether the deal should be referred to the Monopolies and Mergers Commission. Any deal involving assets of more than £30m is looked at.

The European Commission's anti-trust team said yesterday it was also monitoring the situation, although it had not yet decided whether to investigate formally.

At least two of BSB's receiver manufacturers, Thomson Consumer Electronics and Nokia, stopped production of BSB squarial equipment until the full implications of the merger is clear.

Mr Oliver Sutton, director of Breema, the electronic equipment manufacturers trade body, said he was extremely disappointed about what the merger might mean for MAC, the television standard seen as a step towards European high-definition television.

"We have always been very, very enthusiastic about MAC since the early '80s. We hoped to see it as the standard for all of Europe," Mr Sutton said.

Mr Anthony Simonds-Gooding, chief executive of BSB who was told about the merger at 6.15pm on Friday, was not at his desk yesterday and it was not clear if he will return.

Mr Sam Chisholm, managing director of the new company, held a board meeting at BSB's headquarters in Battersea and afterwards staff were told not to speak to the press.

As a result of the deal, Mr Ian Irvine, chairman of the new company, resigned as chairman of TV-AM. He will be replaced as chairman of the breakfast television company by Mr Bruce Gyngell, who will combine the role with his present job of managing director.

Securities link-up boosts stockmarket

By Richard Waters

SIX LARGE securities houses in London have joined together to ensure that at least a semblance of a stockmarket exists for smaller companies, it emerged yesterday.

At the same time, the London stock exchange announced what it called a "comprehensive package" aimed principally at improving the market in smaller company shares – although market professionals played down the likely impact of the changes.

The lack of active trading in many smaller company shares, and the fact that some securities houses have stopped quoting buy and sell prices for smaller companies, has undermined the market in such stocks in recent months.

This has provoked considerable criticism of the exchange and its market-making system, and brought calls for a new order-driven system in which buyers and sellers would be matched without the intervention of a market maker.

In response to such criticisms, six securities houses – Smith New Court, Barclays de Zoete Wedd, Warburg Securities, Kleinwort Benson, UBS Phillips & Drew and Hoare Govett – have told the exchange that they will ensure between them that every company will always have at least two market makers.

Mr Tony Abrahams, head of market making at Smith New Court, said: "This is certainly more than a PR gesture. We all want a market making system – we have to prove that it works."

The 150 stocks which currently have only one market maker will be divided equally between the six, he said.

Mr Peter Rawlins, chief executive of the exchange, which approached the securities houses with the proposal, said this did not affect the development of an order-driven system for trading shares in London, which is still under active consideration.

The exchange's council yesterday approved a number of changes designed to improve the market for smaller companies. These are:

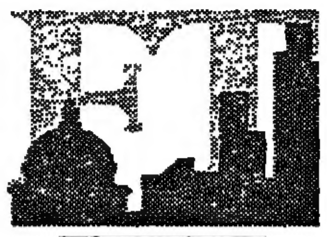
- Trades in about 1,200 small companies will not need to be published to the stockmarket immediately, to allow market makers time to reduce their exposure before competitors discover their position.
- Any matching business – where a broker matches buyers and sellers, without the business passing through a market maker – will have to be "exposed" to a market maker where the price is at or outside the normal market spread between buying and selling.
- For new issues of shares of less than £15m, at least 5 per cent must be placed with an independent market maker, rather than all being offered to the sponsoring broker's own clients. In larger issues two independent market makers should be allocated 5 per cent.

Watchdogs should develop with business

By Richard Waters

THE CITY of London's regulators have further to go in devising methods of supervising financial conglomerates, Mr Brian Quinn, executive director of the Bank of England, said yesterday.

Speaking at a conference in London organised by the Financial Times, in association with the Investment Management Regulatory Organisation, Mr Quinn said: "It is very evident that, even now, companies themselves are still experimenting and changing structure. Why should the regulators be expected to find the correct approach in one move?"



FT/Imro conference:
CITY REGULATION REAPPRAISED

In spite of this, Mr Quinn said that the UK's system of a "college of regulators" set up to supervise conglomerates was "working well and continuing to improve".

He also held out the prospect of a greater degree of institutional rather than functional supervision in the City – that is, where regulatory bodies are set up to cover all the activities of a financial institution, rather than only covering specific functions, as under the current UK system.

However, any switch towards an institutional approach – which would bring the UK more into line with continental European regulations – will not happen quickly, since organisations like the Bank of England simply do not have the skills to regulate some areas of business, such as investment management. "We're still in the process of evolving," he said.

Taking up the issue, Mr John Young, chief executive of The Securities Association, warned that it was important for specialists to regulate investment markets, and that broad-based institutional supervisors frequently lacked the necessary range of skills.

"Only when the need for a specialised approach is fully understood and accepted, and the would-be single regulator is capable of administering the appropriate specialised rules and regulatory techniques with confidence and accurate market judgment, is it feasible to contemplate such an institutional approach," he said.

Mr Charles Nunneley, conference chairman and chairman of the Institutional Fund Managers' Association, laid out what he said were the requirements for an efficient regulatory system: it should allow investment businesses to operate as freely as possible; minimise the costs of regulation; not interfere with professional investors who do not need the same level of protection as private ones; provide level playing fields on which no firms are given an unfair advantage over others; and not change too frequently.

Also, he said, rulebooks should "let us know where we are", making clear what the law is. "Most of us ... do not at all mind if the new rulebooks, which are emerging, prove to be just as fat as their predecessors, provided that their contents are clear and more sensible.

Mr George Nissen, chairman of Imro, diverged from this last stipulation when he told the conference that the organisation's new rulebook, a draft of which is due out at the end of this month, should be above all simple.

"We have ... taken a conscious decision that in the last resort that we will go for simplicity rather than strict legal certitude," he said.

Other speakers echoed the view that the rules should be kept simple, and not drive business from the UK.

"Great Britain provides us with the perfect example of how an originally liberal and strongly deregulated market can change, over a relatively short period, of time, to a situation of over-regulation," said Mr Piet-Jochen Etzel, a member of the board of managing directors of Dresdner Bank.

Mr David Walker, chairman of the Securities and Investments Board and architect of a recent initiative to reduce the regulatory burden in the City, said that much of the criticism was unwarranted, and challenged critics to come forward with specific aspects of the current regime that is hindering their business unnecessarily.

Mr Walker also attacked suggestions that the UK should have a stronger, centralised regulatory body, modelled on the US Securities and Exchange Commission, which he called "naive".

Mr Crispin Henderson, a partner of Coopers & Lybrand Deloitte, said that the EC's directives on regulatory matters will not create a "homogeneous regulatory system". Instead, they will create an umbrella under which different national systems will be able to co-exist.

"Fundamental adjustments will be limited," he said. The only significant changes in the UK, based on current proposals, are that the 100,000 appointed representatives (independent agents who sell the investment products of only one company) would need to be authorised, and small investment firms would have to have more capital to operate.

US telecoms link to undersea cable project

By Alan Cane

BRITISH Telecom and MCI Communications, the second largest US long-distance telecommunications network after AT&T, are planning to build the largest undersea communications cable ever laid at a cost of up to £250m.

The two companies have signed an agreement to plan to build a fibre optic cable – called TAT-X – which will be capable of handling 150,000 telephone calls simultaneously. It will operate at a transmission rate of 2.5 billion bits of information transmitted every second.

TAT-9, BT's existing largest undersea cable, is capable of handling only 60,500 simultaneous calls.

The new cable, if built as planned, would go into service in 1993.

The partners are seeking support for the venture from other international telecommunications carriers which they are inviting to join in the planning, construction and operation of the new cable. They also expect co-operation and participation from other telecommunications administrations in Europe.

Call to stem IRA tax fraud gains in Ulster

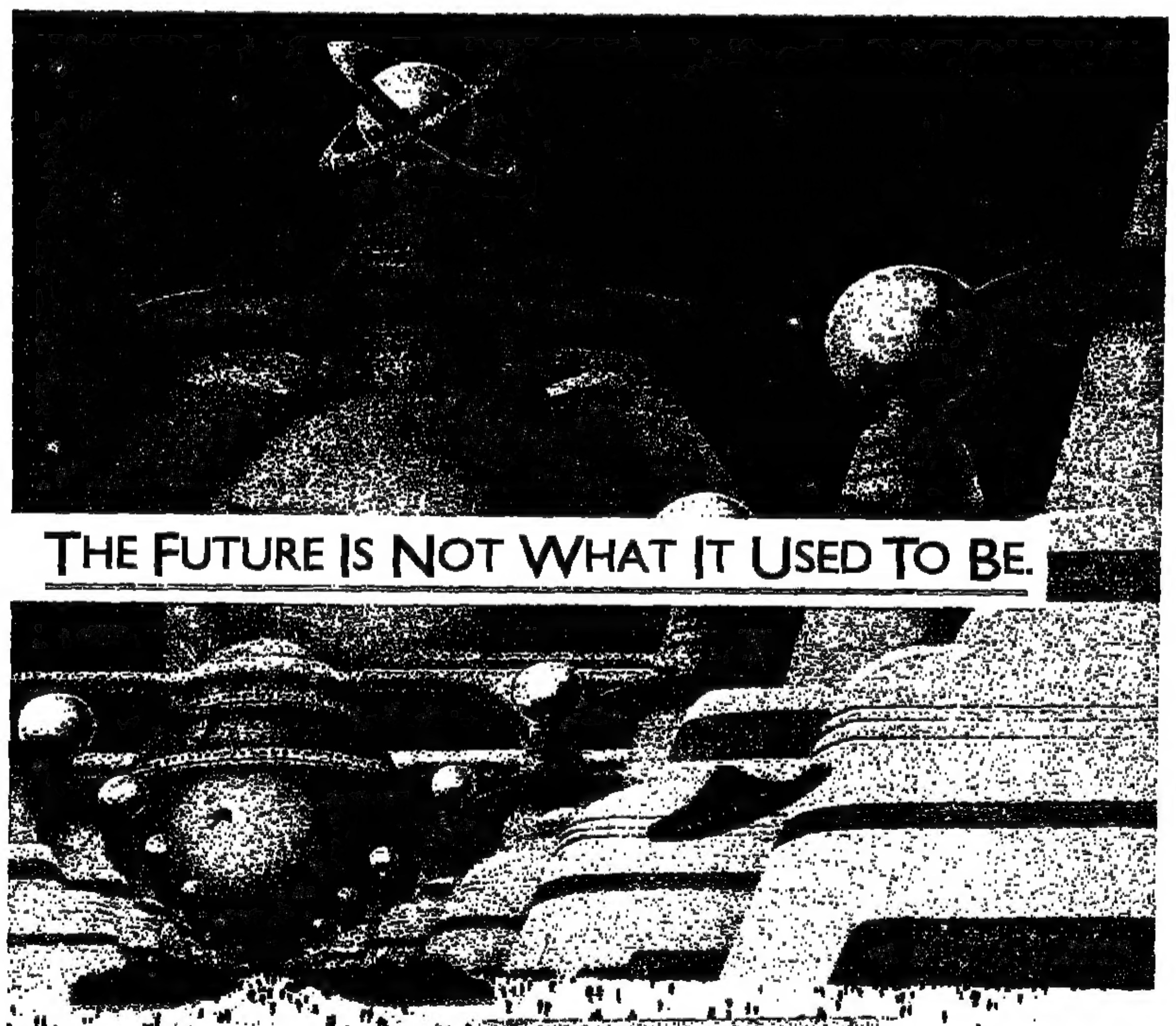
By Ralph Atkins

TOUGH action to cut the flow of funds for the Provisional Irish Republican Army from tax fraud has been urged by a Conservative MP as the government prepares to unveil replacement legislation for controlling terrorism in Northern Ireland.

The IRA is running an operation costing approximately £5m a year, according to Mr David Davis MP. A large share is raised from protection rackets, smuggling, tax frauds, state benefit fraud and other crime, he says.

His report comes as the Northern Ireland Office prepares to replace the 1978 and 1987 Emergency Provisions Acts that expire in two years. Mr Peter Brooke, the Northern Ireland secretary, is widely expected to use the bill to introduce further measures to curb racketeering in Ulster.

Last month, the Royal Ulster Constabulary anti-racketeering squad raided more than 40 homes and offices of people connected with Sinn Fein, the political wing of the IRA. Mr Davis says the IRA is "extremely skilful" at defrauding the Inland Revenue.



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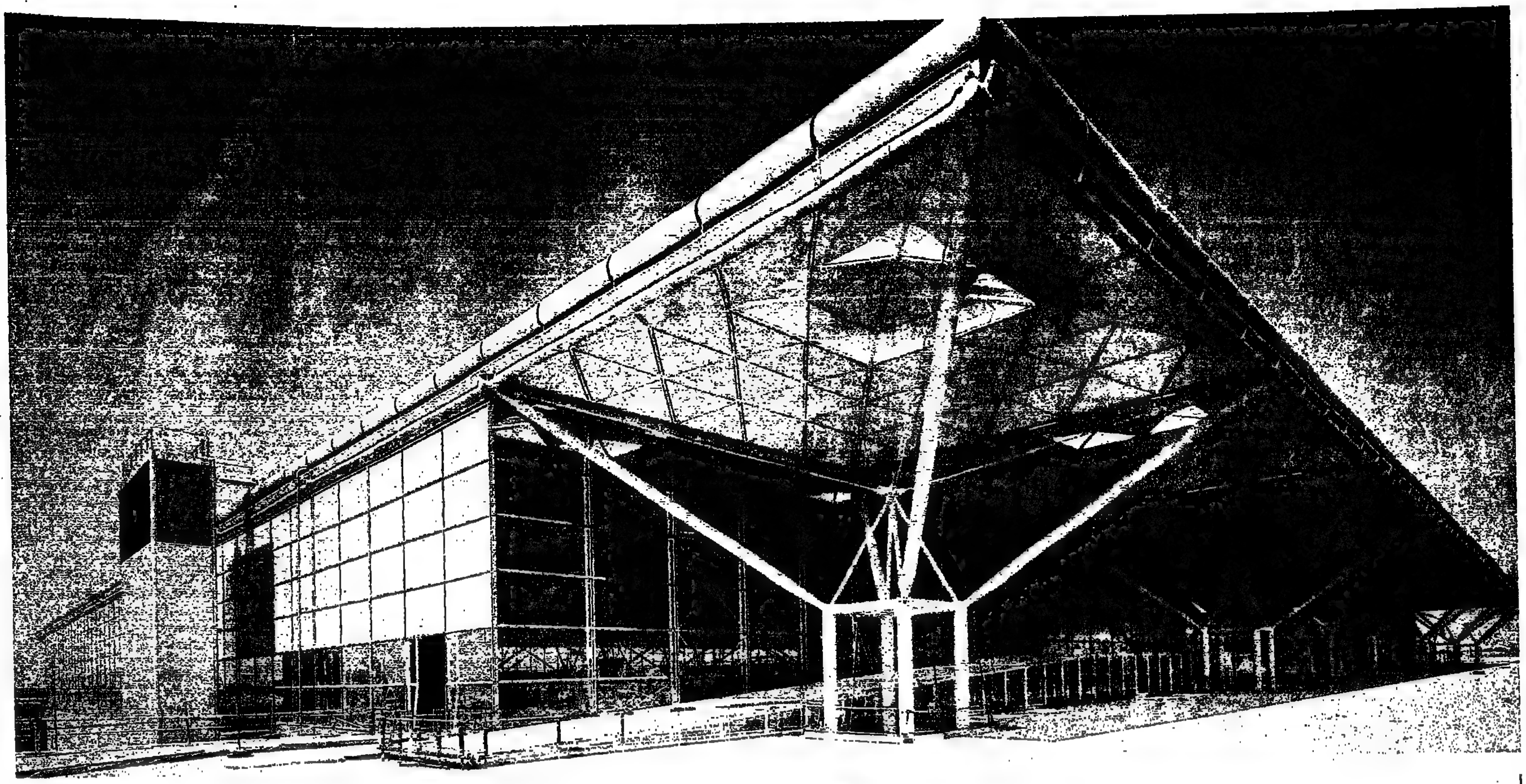

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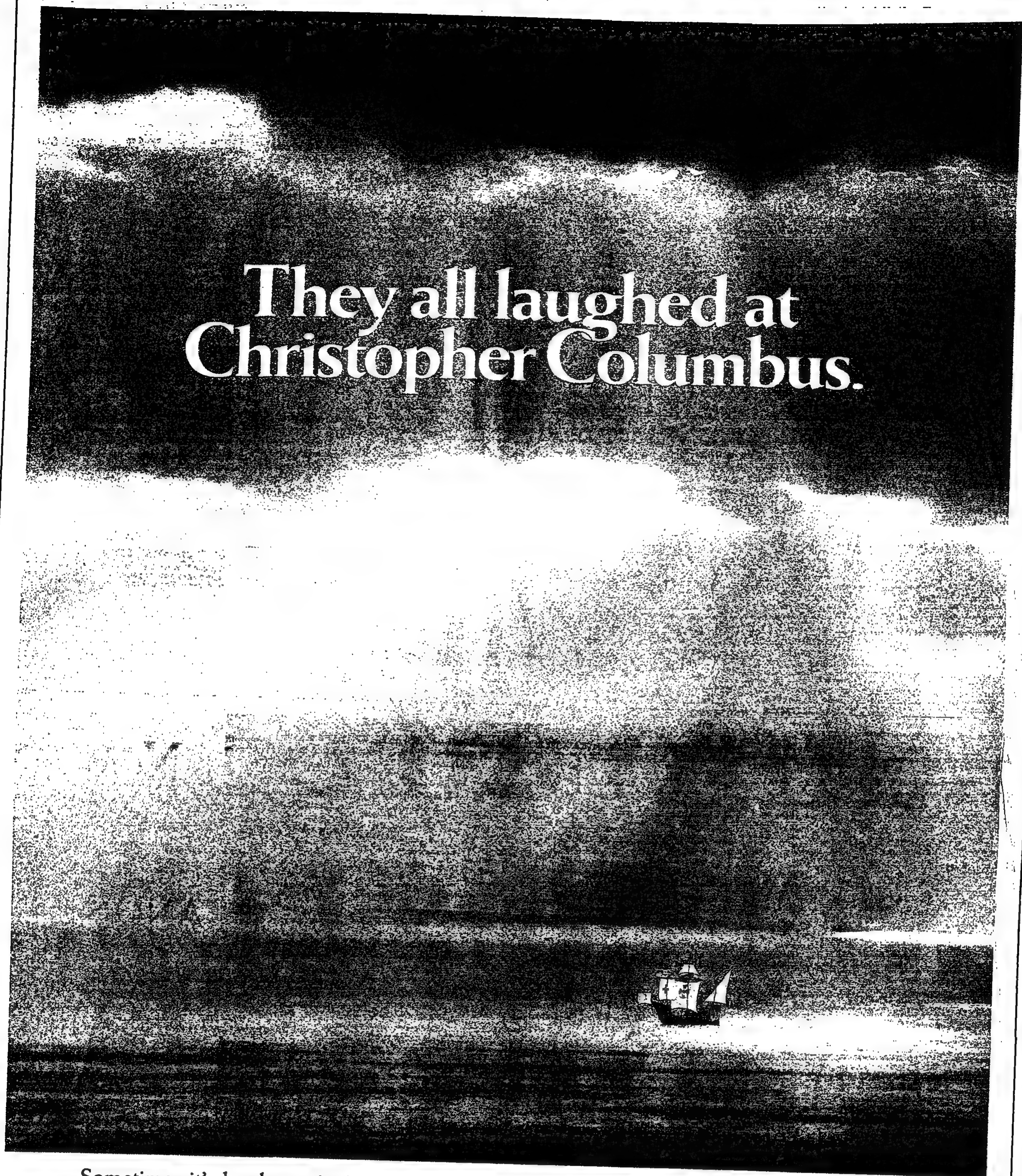

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WE PUT FANTASY TO WORK

Foreign Secretary's speech on Europe to UK employers' annual meeting

Hurd urges need for open markets

By Michael Cassell, Business Correspondent

THE GOVERNMENT wanted to see further economic integration within the European Community on the basis of free and open markets, Mr Douglas Hurd, the foreign secretary, told a meeting of the Confederation of British Industry, the employers' association, yesterday.

Mr Hurd, addressing the CBI annual conference in Glasgow, emphasised the government's pro-European credentials, saying that it would continue to argue for a liberal, open Europe and "to block a slide backwards into protectionism or a slide forward into centralised and over-powerful community institutions."

He said Britain should not be afraid if the argument occasionally boiled over into controversy, provided it was not deflected from its principal objectives.

Mr Hurd said that no-one was seriously suggesting that Britain should withdraw from the community the sovereignty it had already pooled on issues such as foreign trade, or that it should abandon the treaty commitments into which successive governments had entered.

"On the other hand, no one is seriously expecting Britain to submerge our parliament and our other institutions into a federal state on the American or German model," he said, adding that Britain had to continue fighting for its own interests.

On the issue of economic and monetary union, Mr Hurd suggested that there was more common ground among EC member nations than many people imagined.

The European partners agreed that further economic integration within the community was desirable and should be on the basis of free and open markets, and they were also united in believing that the overriding objective of monetary policy was price stability.

Mr Hurd also emphasised that there was a consensus on the need to avoid excessive budget deficits and monetary financing, as well as general agreement that there should be moves beyond stage one of the Delors plan to create a new monetary institution.

He said the British government believed it was common sense to take decisions on the substance of further moves towards economic convergence before deciding on the timing.

"Our approach is straightforward; on matters monetary we go with the grain of the market, on matters political with the grain of national tradition."

Mr Hurd said that at the second of the two forthcoming inter-governmental conferences – on political unio – Britain would seek to maintain the institutional balance within the EC and strengthen foreign policy co-ordination.

The government wanted the European Community to be more efficient and to give better value for money. It intended to ensure that the community was more democratically accountable and accessible to ordinary citizens, while making sure it was not made more difficult for other countries to join.

The CBI conference overwhelmingly supported a resolution calling for the completion of the single market to remain the priority on the European agenda, but emphasising that progress should not be hampered by "unnecessary community legislation, for example in the social affairs fields."

Sir Michael Angus, the chairman of Unilever, said that aspects of the community's social action programme which sought to impose uniform methods of information, consultation, negotiation and participation, and which did not reflect European cultural diversity, were "misguided."

He said: "There is a danger that some propositions in the social action programme put bureaucracy before efficiency, conformity before human understanding, and uniformity before common sense."

Sir Brian Corby, CBI president, said the organisation was wholly supportive of employee involvement, but took issue with any "absolute prescription" on how it should be achieved.

Some delegates, however, objected to the CBI's approach to aspects of the EC social programme.

Mr Roland Long, a management consultant, said the organisation was displaying "a narrow attitude" to the issue. He said the idea that the EC social programme was at odds with the operation of the single market was "ludicrous."

Robin Leigh-Pemberton, governor of the Bank of England, outlines a European banking scenario

Governor urges evolutionary approach

THE FOLLOWING are extracts from yesterday's speech by Mr Robin Leigh-Pemberton, governor of the Bank of England, on bank supervision and Europe's monetary arrangements:

"I think that, in principle, the job of the monetary authorities is to maintain financial stability in a very fundamental sense.

First and foremost, this entails maintaining stability in the value of the currency, both internally and externally. But it also involves maintaining the stability of the system, not least because the job of monetary policy would be made infinitely more difficult if there were lack of confidence in the banking system brought about by periodic crises or threatened crises.

I do not therefore rule out a broad supervisory role for a Community monetary institution if one were ever established. But perhaps the more important question is whether we should commit ourselves now to giving a supervisory role to any such institution. Here my approach is very similar to the stance I take on monetary union generally.

I think we must adopt an evolutionary approach and retain flexibility to respond to unknown – and unpredictable – developments. The appropriate structure for supervising individual banks and the system generally must depend on the way the market develops.

I am therefore sure that, for the time being, we should maintain a very clear concentration of supervisory responsibilities at national level. However, we should leave the way open for developments. And I think that this means that, if at the forthcoming IGC the Treaty is amended, we need to consider seriously whether to provide for any new institution to be given competence to act in the supervisory area.

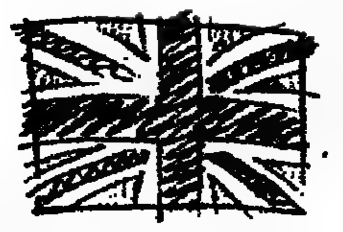
In suggesting this, I am not seeking to diminish the principles underlying the Second Banking Co-ordination Directive. Until there is more evidence of a European character to banks and banking markets, it is inconceivable to think that any other approach would be practical. However, a European character to banking may develop more quickly than we now imagine, and in unexpected forms.

One can envisage a number of possibilities, which may over time merge one into another. One would be to give any new central monetary authority the right to voice its opinion about regulatory proposals, and about the operation of supervision, in relation to its primary responsibility for monetary policy and price stability.

This could, over time and only if it became necessary, develop into a co-ordinating role to cope with pan-European supervisory issues that could not be satisfactorily handled at national level. The institutional arrangements for this have already been suggested in the Delors report, which recommended that the mandate and function of the European System of Central Banks should allow it to participate in the co-ordination of bank supervision policies.

A conceivable final step would be the centralisation of some supervisory responsibilities. It would be quite wrong to do this, however, unless the European banking scene evolved over a period of decades to the point where it had a distinct character separate from that of national systems. That is clearly a very long way off."

BRITAIN IN BRIEF



Iraq appeal over 'super gun' fails

An Iraqi bid to challenge the seizure of eight steel tubes allegedly destined to be made into a "super gun" has been dismissed by a High Court judge.

Mr Justice Nolan refused the Iraqi Ministry of Industries leave to apply for a declaration that last April's seizure by Customs and Excise officers was unlawful.

Dismissing the application, Mr Justice Nolan said the "appropriate way" for the ministry to try to have the seizure set aside was by contesting proceedings to validate the seizure. Customs and Excise intends to start such proceedings within the next few weeks.

Price of package holidays cut

Discounts of an average £50 per holiday are being offered by leading travel agents in a bid to stimulate package holiday bookings for next summer.

The three largest multiple chains of agents – Lunn Poly, Thomas Cook, and Pickfords Travel – confirmed at the Association of British Travel Agents conference in Budapest that they were still offering discounts, even though the Gulf crisis may push up costs by up to 10 per cent.

Racal wins deal with Canada

Racal, the electronics group, is to design and initiate the manufacture of a £450m radio communications system. This will be used by the Canadian armed forces to replace its current system, which is based on 1950s technology.

The project, which is the largest won by Racal's radio subsidiary, is expected to be worth between £50m and £60m.

Racal Radio is part of an international consortium led by Computing Devices Company of Canada, which was selected for the project. Details of the contract will be negotiated next year.

Official body to test food quality

The Quality Control Council set up by Food From Britain, an export promotion body, will become the UK's official quality testing body under European Community regulations, Mr John Gummer, the agriculture minister, has announced.

John Gummer: food quality is major marketing tool

Government funding of £4.5m will enable the voluntary scheme to expand. It already covers lamb, beef, bacon, salmon, eggs and chicken and is to be extended to include home-made cheese, pork and free-range chickens and turkeys.

Mr Gummer told a Food From Britain conference on bridging the country's £5bn deficit in food trade that "food quality is now a major marketing tool".

Consumers fall deeper into debt

The British consumer is falling further into debt, especially on credit-card payments, while spending less on retail goods, official statistics indicate.

The figures from the Central Statistical Office are broadly consistent with recent evidence that the UK economy is slowing down, bolstering the government's fight against inflation.

New methods of paying for water

Three main methods of paying water bills in future have been outlined by the Office of Water Services, the industry's economic regulator.

The present method of charging for domestic water and sewerage services in England and Wales, based on a standing charge and a property's rateable value, will cease to be legal by the end of the decade. This is because of the replacement of rates, which pay for local services, by the community charge, or poll tax.

The three main options identified are a flat rate licence fee per household; a household, or banding, charge that would depend on a property's size and characteristics; and metering.

Distillery unit for Greenwich

A £10m distillery complex, producing neutral spirit used in making gin and vodka, is to be built at Greenwich, on the River Thames, in London.

The development will be carried out by Greenwich Distillers, a joint venture set up by Invergordon Distillers and Tunnel Refineries, an associate of Tate & Lyle and Compagnie Industrielle et Financiere pour les produits amylaces. The new distillery is expected to start production in 1992.

Invergordon Distillers, which produces several brands of Scotch whisky and Glayva liqueur, recently returned to the stockmarket after a management buy-out two years ago.

Nuclear Electric to 'repower' sites

Nuclear Electric, the state-owned nuclear power producer in England and Wales, will be able to enter joint ventures to build gas-fired power stations on derelict nuclear sites after the privatisation of the electricity industry.

The conditions under it can enter joint ventures with private sector power producers are set out in the 800-page prospectus for the sale of the 12 regional electricity companies.

The company is studying the option of using turbines from a closed nuclear station as the heart of a new gas-fired station, a technique known as "repowering."

"We would certainly want to look at keeping open some of our stations as gas fired," Nuclear Electric said.

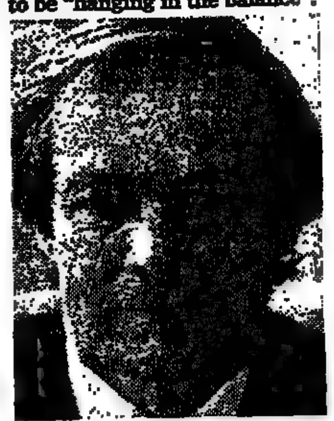
Merchant bank sheds subsidiary

Morgan Grenfell, the merchant bank, is disposing of its property consulting subsidiary, Morgan Grenfell Laurie, in a management buy-out.

The subsidiary has announced a reduction in its workforce by 55 to 79. This is the latest in a series of redundancies of chartered surveyors, which have been badly hit by the recession in the property market.

Warning over textile industry

The opposition Labour party has called for urgent government action to support Britain's clothing and textile industry whose future is said to be "hanging in the balance".



Peter Lilley: urged to support textile industry

Labour's trade and industry spokesman, Mr Douglas Henderson, warned that half the jobs in the industry could disappear in five years if cheap imports were allowed to flood the market.

He said that Mr Peter Lilley, the trade and industry secretary, must give an assurance in his forthcoming speech to the British Clothing Industry Association that the government would support the industry.

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ARTS

The Moscow Festival Ballet

ROYAL ALBERT HALL

Moscow Festival Ballet is a recent product of the new dispensations within the Soviet Union. Recruiting its dancers from a variety of state troupes, it is now on tour here, playing short engagements in the regions. If Saturday night's showing at the Royal Albert Hall is anything to go by, presentation is rudimentary to a point nearer do-it-yourself than professional staging. Perfunctory black drapes masked two exits into which the artists retreated when not required on stage. The second act of *Giselle* acquired the only design – a midget grave that looked as if it had been borrowed from a pets' cemetery. Details of casting were cursory, amounting to no more than a list of alternative names for certain roles, from which the audience might guess whomsoever they chose.

For this is, I surmise, entertainment for people who need only to believe in that magic conjunction of the words "Moscow" "Festival" and "Ballet". The audience is offered gems from the classics, decently danced and with a decent orchestra, and no further questions need be asked. But a few queries spring to mind. The first concerns the domination of the evening by performances from Galina Mezentseva. We know her idiosyncratic style and brittle physique from past Kirov seasons. On Saturday she appeared in the second act of *Giselle* – chief item of the evening – and then in the second act adage from *Swan Lake*, and as the Dying Swan, and looked morosely mannered in each.

This emphasis upon Mezentseva was all the more regrettable since the group includes a noteworthy talent, new to us, in Iolanta Valekaite, a Lithuanian ballerina. With a pure, clear dance identity – movement looks elegant at all times, line is aristocratic – she made a dramatically touching Esmeralda in the *pas d'action* in which the gypsy girl dances at the betrothal party of her beloved. (The programme gave no indication of the story, and misspelled a character's name: the management is too dismissive of an audience's right to information). Miss Valekaite was very impressive – an eddying *pas de bourree* was as evenly matched as a string of pearls; emotion was no less lovely in its control – and I want to see her in more extended roles, both classic and lyric. (She would be ravishing as Balanchine's *Sonnambula*.)

For the rest, there was, of course, the *Don Quixote* pas de deux, and the Flower waltz and pas de deux from Vainonen's *Nutcracker* (minus those airy lifts in which Kolpakova was once so magical). The male contingent is headed by Viktor Barikin, lately with the Bolshoy. Even in the rampagings of the *Don Quixote* duet there was an authority and response to each daring moment that told of a serious and gifted artist on whom I have reported with pleasure in the past. Like Miss Valekaite, Barikin transcended the unlikely circumstances of the performance: both dancers spoke to us about the power of ballet to enchant, which is what Saturday night's audience wanted to see.

Clement Crisp

The Cholmondeleys

RIVERSIDE STUDIOS

It is the idea of the Cholmondeleys that one relishes most – that plebeian chic. It is there again in their choreographer Lea Anderson's latest work, *Cold Sweat*. The look is heavy, modish, cool. No refinement, superiority, virtuosity. Sharp and/or fluent moves are all strung on to the same controlling phrase like a series of instructions. Machine rhythm, conceived for the group. When one solo does follow another, there is no change in basic tone.

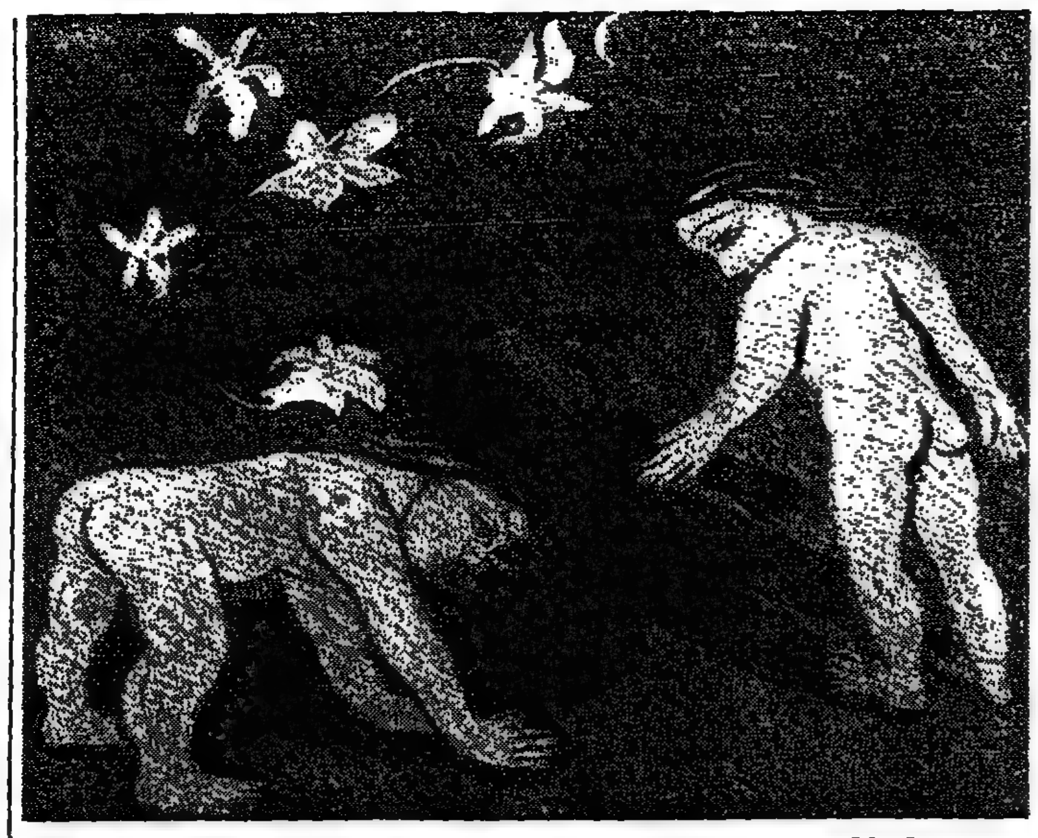
Cholmondeleyism is the most celebrated subject of some memorable, inventively clever photographs by Chris Nash (recently exhibited at the Portfolio Gallery). The most exact and striking feature of the Cholmondeleys is their use of face and hands, and Nash's series of individual portraits turns them into glove puppets, their heads placed on top of huge body-sized hands whose fingers act as legs and arms. But this Bosch-like conception, though cute, doesn't get to the core of Cholmondeleyism. Stretched on those fingertips, his Cholmondeleys look poised to fly. What is missing is the weight that gives the stage Cholmondeleys their weary working-girl wit.

Whether you see them in photos or in action, however, the experience of the Cholmondeleys is less impressive right now than the idea. Anderson used to make short, entertaining vignettes for them – as she still does for her male group, the Featherstonehaughs – but she did not have the rhythmic variety to make it rewarding to watch more than three or four items at a time. Now, in several longer pieces, she has been learning how to plan the architecture of a whole evening. But what *Cold Sweat* lacks is the motor to keep each short episode lively. It's a collage of ideas in which behaviour is connected or contrasted to the weather. Each idea, initially good, gets stuck in a groove. The mind wanders, until Anderson lifts the needle – and puts her dance down into the next groove.

And the very weight that is missing in Nash's photos is a problem. How do you make it move? The Cholmondeleys look fine sunbathing, frozen, sleepy, drunk, or blasé – but in sustained motion they look lethargic, reluctant. Those torsos and legs have never had the precision of the arms and faces.

The liveliest part of this two-hour show is the accompaniment. Drostan Madden's taped collage in Part One is deft, and Steve Blake's live music for the overture and Part Two is much more. Combining jazz, motors, minimalism and rock, Blake's score is something unusual these days – music that makes you want to dance. But *Cold Sweat*'s dances look as if they were pre-choreographed.

Alastair Macaulay



'Woman examining her shadow' by Eileen Cooper at Benjamin Rhodes

With figures in mind

William Packer reviews the work of Eileen Cooper and Robert Organ

The coincidence of certain exhibitions will sometimes make a useful critical point, or at least raise an issue. With Eileen Cooper showing her recent work at Benjamin Rhodes (4 New Burlington Place W1: until November 17) and Robert Organ at Browse & Darby (19 Cork Street W1: until November 17), it is the nature of much current painting that bears some thought.

So often do we hear of the supposed revival of figurative art over the past dozen years that it might be useful for a moment to consider something of its character. Certainly in our art schools, where in the middle 1970s representational imagery of any kind was much more the exception than the rule, the reverse is now true. But even that generalisation requires some qualification, for neither position was, nor is, ever so extreme as some would suppose. Accepting, if only for the sake of the argument, that such a revival has indeed taken place, it is rather the nature of the work that should concern us.

What is undoubtedly true is that throughout the 1980s, of the younger painters who emerged to claim critical acceptance and institutional patronage – the Campbells and Wizniewskis, Milroys and Coopers – almost all were obviously figurative in their imagery and preoccupations, where ten years before they would have been abstract and conceptual. And their work, in its imagery as in its handling, was all too likely to conform to the general pattern, loose and generalised on the surface, symbolic, sentimental and narrative in its content. In short, rather than look to the external and physical world for objective reference and information, they would make it up.

Eileen Cooper is still only 37, and yet has been showing with a conspicuous regularity since her late twenties. Her work is lively and attractive in its immediate impact, her simple, mannered figures and manikins quite unmistakeably her own. The paint is fat and juicy, the colour hot and bright, the line positive and thick, the imagery engaging and even amusing. Naked figures move together, embrace and even couple in a manner that is more innocent and touching than erotic, though the sexual inference of the lilies they pick and the tigers that watch over them is clear enough. The setting and mood are unspecific yet redolent of Eden before the Fall, which primitive ideal is matched by the clear reference to primitive art and its sophisticated reinterpretation at modern hands – shades of Gauguin, Chagall, Picasso and Matisse.

But it is that very simplicity, with all its charm, that gives us pause. For what, in a single image, may be taken as an honourable and reasonable directness, in the unlimited series that is her work to date begins to smack of an easy formula. And any close inspection of the paintings themselves as paintings, rather than as the mere vehicle of effectively graphic imagery, must confirm these uneasy suspicions. Form is unmodulated, space undefined: paint merely fills in between the lines; the marks sit on the surface undifferentiated and perfunctory. These are not works concerned with the realisation of an image in its physical presence as a work of art, at one with its surface and its substance, but simply with the first statement of an idea. The image is all, and a graphic image at that.

But all is not lost. Miss Cooper is clearly talented enough, and by no means the first artist to coast innocently along, mistaking popular production for development and achievement. The large, indeed huge charcoal drawing by the entrance, and its pair downstairs in the back room, together give the lie to any absolute complacency. The medium of charcoal, no less seductive than paint but somewhat trickier, and the size and implicit ambition of the undertaking, have combined to put her on the spot. What she achieves, therefore, subtle and delicate as it is in so many ways, is fought for and often unexpected in the result. The surface is worked and modulated, and the imagery of mother, child and tree is the natural resolution of how it was done. And there is to it all a naturalism that, in its detail of observation, begins at last to modify the old, habitual and easy mannerism. If this is Miss Cooper's way forward, it has much to offer her, and us.

*

Robert Organ, by contrast, is her senior by some 20 years, and that gap of a generation is eloquent of the difference between them, both in their work and circumstance. Such success as Organ has had has come late, again confined to the 1980s, though without any such critical and public support as Miss Cooper has enjoyed from the outset. He has had, however, a long career as a teacher, and a teacher, moreover, in the old and honourable tradition in our art schools, consciously abolished in the mid 1960s, of objective observation and academic study.

His paintings are concerned with what he has seen, with his experience of it and response to it. While he too displays much conscious mannerism in the working of his material, there is never any question of an absolute, subjective invention. He may invent a composition such as his "Desmoiselles de la Croisette", flaunting their virtues on the promenade above the darkening bay, but that landscape is known to him, the play of light observed and understood, and the attitudes of the three women established with an assurance that can only come of long study of the model in the life room.

He shows a wide variety of work, from small studies of the French countryside and of his cats in the garden, to larger and more ambitious landscapes of the Dorset cliffs, conversation pieces of old people in a nursing home, the "Desmoiselles" of course, and best of all, perhaps, a large and extremely fine painting, as impressive in its handling as in the quality of its observation, of a monkey clinging to the wire of its cage at the Zoo.

Mahagonny

FRANKFURT CITY OPERA

Until the opera house reopens next April, Frankfurt has to make do with just one new production this season – *The Rise and Fall of the City of Mahagonny*. In January the company finally leaves the Schauspielhaus (where it has been housed since the opera house fire three years ago), and will lead a nomad's life for two months. *Mahagonny* illustrates how the Frankfurt ensemble has made a virtue of necessity, tailoring its repertoire to the flat acoustics and limited staging possibilities of its temporary home.

In Germany *Mahagonny* has always been so intimately associated with the theatre of Brecht that it is disconcerting to come across an anti-Brecht production of the work. The Israeli director Arie Zinger, who is no stranger to the German spoken theatre, strips away all trace of Brechtian exaggeration and *Verfremdung*, on the assumption that *Mahagonny* is provocative enough on its own terms. The acting is refreshing natural, with a series of original character sketches and strong ensemble work. But the text is deprived of its satirical bite, and is further compromised by the loud orchestral playing under Steven Sloane.

Zinger clearly appreciates the irony of performing *Mahagonny* in Germanys's business capital and treats it as a light-hearted parable of Frankfurt's post-war development. The opening sequence takes place on a landscape flattened by wartime destruction, peopled by a generation of homely girls hoping to make good. The setting then hops to the main floor of the Frankfurt stock exchange, looking out on a skyline of high-rise banks. Begbick is no Mother Courage figure, but a glamorous managerial trouble-shooter and hard-nosed madam; the girls double as beautiful careerists and high-class whores, the chorus (vocally undernourished) are a mixture of business-suited speculators and consumers. In an environment where buying power is the only qualification, sexual relationships become another form of futures trading, with just as many pitfalls.

The design team of Peter Paul, Uta Fink and Yoshio Yabara have had fun decorating the stage with computer screens, cordless telephones and a giant electronic information board, which illustrates the passage of the storm. These and other gimmicks look good, but their impact quickly fades. The production is too dependent on its visual surroundings, and is increasingly forced to fall back on the endless variety of Weill's catchy tunes.

Glenys Linos dominated the proceedings with a smart, pungent Begbick. Michal Shamir's easy-going Jenny, slender in tone and figure, made the Alabama song linger in the memory long after the performance – she has just the right cool smoky allure for the part. William Pell's Jimmy, a Jack Nicholson figure run amok in a German bank, sang and acted powerfully, and was unexpectedly moving in his farewell scene. Yaron Windmuller, a twitchy slightly-round-the-bend Trinity Moses, and Brian Jauhiainen, a muscular Finnish-American bass in the part of Alaska Wolf and Joe, suggested that for all its recent difficulties, the Frankfurt Opera continues to attract highly talented young singer-actors.

Andrew Clark

Sinfonietta Voices

QUEEN ELIZABETH HALL

This was a mild little concert on Sunday – and shrinking, too, in the manner of Haydn's "Farewell" Symphony. As the programme went on the forces dwindled from sixteen London Sinfonietta Voices to eight, and finally to one soprano with flute, and one flute with soprano, self-effacing piano and quiet tam-tams. In retrospect, the opening *a cappella* piece seemed to have been on an epic scale.

That was Mark-Anthony Turnage's *One Hand in Brooklyn Heights*, on a characteristically rough text by Steven Berkoff. In this performance, well sustained but well-mannered to a fault, the ingenuity of the vocal writing – dense, toothsome cluster-chords, bursts of speech over singing, contrasted solos and duets jack-knifed neatly in – was more impressive than any dramatic violence. There is plenty of that in Berkoff's furious urban vision, but it barely surfaced here in the music as conducted by Terry Edwards. As usual the Sinfonietta Voices were superbly matched, and their tuning phenomenally secure. Do they *all* have perfect pitch?

Jonathan Lloyd's new *Revelation* demanded no less, and indeed still more from the individual singers, since it employed only eight of them. It is not wholly "new", for it derives from his Third Symphony of three years ago; and it trails its symphonic coat quite plainly, in its interlocked motivic writing and its clear symphonic sequence – a broad first movement, then a slow meditation overtaken by a scherzo, and a swift Allegro finale. A single verse from St. John supplies the words, endlessly deconstructed and re-tinted. The vocal octet often has to carry a considerable contrapuntal burden, which a more resonant acoustic would have enhanced. What we heard was an interesting fine-line sketch, with only hints of the expansive impact that Lloyd must intend.

The minimalist László Sáry's unlikely *Magnificat* proved to be a small triumph of simplicity. While the flute (Sebastian Bell, tireless) spins out chains of bright, Glass-y formulae in quick even-notes, regularly and subtly altered, the soprano (Judith Rees, charming) matches him with the Latin *Magnificat* text – often in mirror-image, but with extra pauses for welcome breath. The piece fulfils its plan and its length with perfect precision.

Henryk Górecki's *Good Night* is yet another *in memoriam* for Michael Vyner, the Sinfonietta's late artistic director. It is pure meditation, three very slow movements without argumentative pretensions. The vox *humana* of an alto flute measures stepwise patterns within a narrow range, discreetly reinforced by the piano, until a soprano (Nicole Tibbels, just right) joins them to dream over a fragment of Horatio's farewell to Hamlet – "Good night . . . flights of angels . . ." – and the tam-tams provide a stately, sonorous interlude. Lovely sounds that echo in the mind; nothing more to add.

David Murray

The Mask of Time

ROYAL FESTIVAL HALL

Sir Michael Tippett has never lacked ambition. In his Third Symphony he threw down the gauntlet to Beethoven and his Ninth Symphony. Elsewhere he has taken on Eliot, Shakespeare, even Western culture itself, and usually come out smiling.

In *The Mask of Time*, his latest, grand-scale choral work, he sets his sights characteristically high, striving for what he calls "the transcendental" in an all-embracing, eclectic exploration of human experience.

The range of cultural reference this involves is as astonishing as it is perplexing: Shelley jostles with Rilke, Shiva with the I-Ching, and the score and text teem with half-quotations from Handel, Haydn, Dowland and more besides. Whether or not the references are perceived, even less understood, is perhaps not as important as the acknowledgement that they operate on a metaphorical level.

Any attempt to decipher the overt meaning in the text is a struggle. In the first place, it hovers on the borders of intelligibility. Second, the composer seems deliberately to enhance the obscurity by playing off one text against another, or by causing his vocalists to descant or ululate in a vaguely onomatopoeic way rather than declaim in the normal manner. Tippett's word setting is a celebration of feeling rather than of sense or reason.

Three of the four soloists in Saturday night's performance with the BBC Symphony Orchestra under Andrew Davis have been associated with the work since its European premiere in 1984: Faye Robinson, Felicity Palmer and John Cheek sound as much at home with their idiosyncratic vocal parts as anyone has a right to expect, Ms Robinson taking up the moving lament "Hiroshima, mon amour", the text taken from poetry by Anna Akhmatova, with particularly eloquent simplicity.

The fourth soloist, Robert Tear, tackles his role, the most taxing of all, with spirit and style, perhaps acknowledging that the struggle it entails is an apt metaphor of transcendance. All praise, too, to the BBC Singers and BBC Chorus, trained by Stephen Jackson, who despatched their parts in virtuoso, often thrillingly dramatic, manner.

Andrew Davis's sure handling of the score did full justice to the numinous moments, such as the third instrumental prelude of "Miller of Whitening Light", when the potency of Tippett's imagination momentarily overcomes all resistance.

Barry Millington

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ARTS GUIDE

November 2-8

OPERA AND BALLET

London

Royal Opera, Covent Garden. Revival of the 1985 production of *Il barbiere di Siviglia*, conducted by Gabriele Ferro, with the first of two interesting casts: Agnes Baltsa, Raul Gimenez, Jeffrey Black, Gabriel Bacquier and Ruggero Raimondi. Last performance of the first-rate new production of Verdi's *Attila*, conducted by Edward Downes, with Barseg Tumanyan, Josephine Barstow, Giuliano Ciannella and Giorgio Zancanaro: strongly recommended.

English National Opera, Coliseum. A new and unusual double bill, Delius's *Fennimore and Gerda*, Puccini's *Gianni Schicchi*, has its first showing, conducted by Charles Mackerras, produced by Julia Hollander, with casts including Sally Burgess, Peter Coleman-Wright, Benjamin Luxon and David Maxwell-Anderson. Further performances of the award-winning 1986 production by David Pountney of Busoni's *Dr Faust*, conducted by Antony Beaumont, with Alan Opie, Graham Clark and Helen Field in leading roles; final one this season of *The Magic Flute* in Nicholas Hytner's fresh and uncluttered production.

Paris

42nd Street, the Broadway musical, to Harry Warren's music has its production supervised by Mark Bramble (40282840). Chatelet.

Brussels

Monnaie Opera in Hans Zender's *Stephen Climax*, conducted by Sylvain Cambreling and staged by Peter Mussbach. Théâtre Royal de la Monnaie.

Amsterdam

The National Ballet on tour with *Under my Feet* (Van Dantzig/Schat), Pyrrhic Dances II (Van Schayk) and a new ballet by Jan Linkens. (Tue, Thur). The Hague, AT&T Danstheater (360 4930).

Barcelona

Gran Teatro del Liceu. *Roberto Devereux*. Ends Nov 10.

Genoa

Bellini's *La Sonnambula* in the production by Mattia Testi for the Fenice in Venice, with Luciana Serra, Pietro Ballo and Carlo Striuli, conducted by Eugene Kohn (589339). Teatro Margherita.

Milan

Rudolf Nureyev's production of *The Nutcracker*, for which he has redone the choreography, with Anita Magyari and Oliver Matz alternating with Isabel Seabra and Zoltan Solymosi in the leading roles, conducted by Armando Gatto (808126). Teatro Alla Scala.

Hamburg

Die Zauberflöte is sung by Amanda Halgrimson, Dawn Upshaw, Kurt Moll and Robert Gambill. *Tannhäuser* has a first-rate cast led by Linda Plech, Livia Budai, Kurt Moll, Guenter Neumann and Andreas Schmidt. *Romeo et Juliet* has John Neumeier choreography.

Cologne

Orfeo ed Euridice features Kathleen Kuhlmann, Jung Ae Lee and Machiko Obata. *La finta giardiniera* brings Teresa Ringholz, John la Pierre, Janice Hall and Jane Bunell together.

Frankfurt

La Bohème in Volker Schloendorff's impressive production has Eliane Coelho as Mimi, Hildegard Heichele as Musetta, Alejandro Ramirez as Rodolfo and Alberto Rinaldi as Marcello. The new controversial *Aufstieg und Fall der Stadt Mahagonny* by Kurt Weill will be conducted by Steven Sloane. *Le Nozze di Figaro* returns.

Bonn

Youri Vamos' ballet *Schwanensee* will have its premiere this week. Hans Sotin, accompanied by Helmut Deutsch, perform Schubert's *Die Winterreise*.

Munich

Adriana Lecouvreur is well conducted by Claudio Abbado. *Die Zauberflöte* is of respectable standard with Hellen Kwon as Queen of the Night. *Onegin* was choreographed by John Cranko. *Die ägyptische Helena* stars Gwyneth Jones, Frances Lucey, Wolfgang Neumann and Hans Guenter Noecker.

New York

Metropolitan Opera. James Levine conducts Arvin Brown's production of *Porgy and Bess* with Priscilla Baskerville, Marvis Martin and Terry Cook. James Levine also conducts Piero Faggioni's production of *Un Ballo in Maschera* with Aprile Millo, Lucien Pavarotti and Juan Pons. *Boris Godunov*, conducted by Yevgeny Svetlanov, features Stefania Toczyska, Gary Lakes and John Shirley-Quirk in August Everding's production. (362 6000).

New York City Opera. John Lehmeyer's production of *Martha*, conducted by Arthur Fagen, features Sheryl Woods as Lady Harriet Durham, Martin Thompson as Lionel and Dean Peterson as Plunkett. The week also includes Scott Ellis's production of Sondheim's *A Little Night Music*. New York State Theater, Lincoln Center (870 5570).

Washington

Washington Opera. The company's 35th season opens with Maria Ewing as *Salome*, in Peter Hall's production conducted by Gerald Schwarz. Opera House, Kennedy Center (416 7800).

Chicago

Lyric Opera. Frank Galati directs Argento's *The Voyage of Edgar Allan Poe*. Christopher Keene conducts Donald Kaasch as Poe, Winifred Faix Brown as his wife and Richard Stilwell as Poe's nemesis Griswold. Harold Prince's production of *The Girl of the Golden West* continues, conducted by Bruno Bartoletti, with Marilyn Zchau as Minnie and Placido Domingo as Dick Johnson . Civic Opera House (332 2244).

Inside Stories

COCKPIT THEATRE, NW8

One's first impulse, on arrival at the half decorated, 90 per cent deserted bunker that comprises the Cockpit, is to ask what a good actress like Fenella Fielding is doing in a place like this. The answer becomes clear the moment she gathers up her mouth, narrows her eyes and embarks on the monologue of Margaret in *Venetian Gold*, the second part of this double bill by James Hogan.

The term monologue is not strictly accurate, since Margaret is accompanied on stage by her husband (Philip Lowrie, who also directs) whose job is to remain mute but for the odd truncated protest while presenting a back view of such opaque ordinariness as to detract nothing from the glare of his wife's eccentricity.

Sitting at a table, a cacophony of make-up smudges beneath a black wig that nestles on her head like a crippled bat, Margaret waits for the ambulance to take her to hospital. As she waits she talks, with the mad coherence of a woman who has lingered on the edge of the abyss, looking down.

She is by turns pathetic, funny and infuriating, with insights about Venetian art and the nature of spirituality that jostle comically with her insults to her husband. Hogan's writing has moments of extraordinary delicacy: one minute she is berating her spouse as "parson's nose chewer-up and spitter outer"; the next, she betrays herself to an oblique, and exquisitely painful, admission that she loves him.

This is writing that lives through performance, and Fielding does not so much speak as play the lines with an orchestration of face, mannerism and voice that is entirely gripping.

Stephen Stenning, in the first piece, *Rough Diamond*, plays another sort of insider – a young thug, allowed out of jail for a day to visit his dying father, whose prejudices are fanned into compassion by the discovery of a black wino in his home. Stenning, razor thin and with a top lip drawn back from his teeth like the jaw of a mad dog, captures the trajectory from snarl to whimper but does not quite have Fielding's power, nor, to be fair, her material.

It will be interesting to see how they work together in Hogan's *Trotsky and Our Ernie*, which opens here on November 19

Claire Armitstead

هكذا من الاصل

هكذا من الأصل

A pond in South Yorkshire, as seen from the 07.52 York to Kings Cross.

We'll bring eggs, bacon, sausage and tomato to the table and duck to the window. Our steward will serve you a great British breakfast, while England slips by your window; for a business trip doesn't it smack a little of pleasure?

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Tuesday November 6 1990

A case of midterm blues

IT IS the exception, not the rule, that midterm congressional elections in the United States matter a lot. This last happened, incontrovertibly, in 1974, the year of the Watergate denouement, when a new generation of mostly Democratic politicians swept in, shortly to overturn the established order of seniority of the legislative branch. But, in retrospect, even that tidal wave was as a ripple compared with political and ideological import of the Reagan revolution.

Three short months ago, the rule, not the exception, seemed applicable to the elections taking place today. President George Bush's general popularity looked likely to minimise the losses usually incurred by the party of a first-term president. It was even considered just possible that his Republican party might, if it got every break, regain control of the Senate. The real game, it was assumed, would not be played until 1992.

That judgment is less certain now. The budget fiasco in Congress, equivocal American support for the international effort in the Gulf and a looming recession have all combined to increase public disenchantment with the quality of government, from the president to the elected representatives on Capitol Hill and in state houses around the nation. The question now is not so much who wins, but who loses.

Increasingly remote

The conventional answer is Mr Bush himself and, to a degree, the Republican party, from which, to judge by the number of candidates who do want to be associated with him, he is increasingly remote. At worst, he might lose his veto power over Congress. This was not a khaki campaign but he is unlikely to be given a mandate to do what he wants in the Gulf, even if he knows what that is, and it is probably the case that a frustrated, disappointed president may be tempted to overcompensate. It is likely that the next Congress will be still more protectionist, which will matter if ever a Gatt agreement is presented for ratification.

Not that the Democratic party will necessarily be rubbing its hands with anything other than relief on Wednesday morning. While there would be justifiable congratulations everywhere except in the covens of the far right if Mr Harvey Gantt, who is black, removes Senator Jesse Helms from office in North Carolina, those other Democrats making waves this year are not exactly doing so by pushing the party line, whatever that might be.

Real losers

The most visible of these is Mr John Silber, favoured to be next governor of Massachusetts. He is either a sophisticated anti-politician, for whom the Democratic party is merely a convenient home, or a pure populist, and, if he wins, he will be one of the most talked-about men in the country. The same cannot be said of those whom the party would like to see in the vanguard against Mr Bush in 1992. Messrs Cuomo, Bradley, Gore and Nunn have become invisible in the campaign and a sense of what the Democrats stand for, and even against, remains obscure.

The real losers in this are the American public, additionally so this year because too many campaigns have been nasty, brutish and long. Mr Silber is one who may profit from this feeling of discontent which was exacerbated by the budget debacle. California, as ever, is going a stage further with a referendum limiting the terms of state representatives. If it passes, the infection could spread as rapidly as did the tax-cutting wave from Proposition 13 back in 1978.

There is little that is constitutionally wrong with the system. Throwing the incumbents out should be a preserve of the ballot box not a device enshrined in law for a long time by a prevailing mood of the moment. What is wrong with American politics is its practice, specifically the extent to which money is pervasive and supportive of the status quo. The budget bill and the savings and loans scandal demonstrate the extent to which well-financed special interests have politicians in thrall and in hock. It may be too much to expect a weak president and a divided congress to sacrifice the advantages of incumbency. But the American people might require this, one day.

A difficult year for public pay

WHERE PAY is concerned, the Confederation of British Industry would rather focus attention on the mote in the government's eye than on the beam in its own. Thus, under the general rubric of "inflationary own goals" it complains, *inter alia*, about increases in public expenditure that reflect higher pay.

The main problem with public pay is quite different: the arbitrary and inefficient treatment of different groups. Meanwhile, the average earnings growth of public sector employees has lagged behind that of the private sector in 8 of the last 10 years. To try to curb inflation by restraining public sector pay increases would, therefore, further widen the gap between private and public sector earnings.

It would be wrong for those public sector employees whose pay is not linked to average earnings, officially or otherwise, to pay the price of the government's policy errors. This is particularly true when recruiting, retaining and motivating employees in the public sector have become more difficult in many areas of public sector employment.

Finding a rational way of setting pay in the public sector is difficult, for three unavoidable reasons: first, the government does not face the same sort of budget constraint as do other employers, especially private employers, which means that its pay decisions tend to look arbitrary; second, the government has both the temptation and the means to meet its obligations by driving down the pay of those who work for it; third, the government is also held responsible for the workings of the economy as a whole. In short, the government has multiple, and often conflicting responsibilities, to its employees, taxpayers, users of public services and national economic management.

Conflicting aims

The present government has attempted both to cut spending and maintain services, at the expense of a consistent policy towards public sector pay. Some public sector groups have fared well over the past decade. The essential services – the police and the armed forces – have seen their pay index-linked to growth in average earnings. Other high profile groups, such as nurses and doctors, have their pay set by independent review bodies, which have combined rough comparability with some sensitivity to local recruiting needs. Meanwhile, those workers who bargain collectively have lost out.

Low morale

The inevitable result has been low morale and high turnover in those areas that have fared relatively badly. The average turnover rate for NHS ancillary staff averaged 44.6 per cent in 1987-88. Since then wages of ancillary staff have fallen further. By 1989 an ancillary worker's wages were only 60 per cent of average male manual earnings.

A more coherent approach to public sector pay is needed, even if a perfect one can never be found. One approach might be to distinguish services where free collective bargaining is desirable from those where it is not, and services where further decentralisation (and, at the limit, privatisation) is possible from those where it is not.

Where the government is the sole employer, collective bargaining is unbalanced. Often it will be undesirable. A strong case can then be made for reliance on independent review bodies, normally in return for limitations on the right to strike. These bodies would be required to maintain rough earnings comparability with private sector workers with similar skills, whilst responding fully to the needs of local recruitment and retention. Comparability would be an inescapable element in pay, because a deterioration is often a lead indicator of future recruiting problems, as is evidenced by the difficulties faced in attracting and retaining academics in British universities.

It would be wrong for the government to focus public sector pay negotiations over the coming year on the need to speed disinflation. What is needed, instead, is a better structured system for dealing with public sector pay, one that neither allows the public to exploit its servants nor gives its servants an incentive to inconvenience the public.

Peter Riddell and Lionel Barber on US worries about Soviet break-up

Vital signs just stable

The Bush administration is increasingly worried about internal developments in the Soviet Union. In contrast with the public praise for Moscow's co-operation in the Gulf crisis and talk of a new world order, senior US officials are privately concerned about its growing economic and political problems – echoing the worries now expressed by President Mikhail Gorbachev's advisers.

This is what Mr James Baker, the US Secretary of State, who arrives in Moscow tomorrow, calls the "other, darker side of the Soviet revolution". There is no sense of panic in Washington yet, but US policymakers are worried about possible disruption this winter. Preparations are even being made to supply emergency food and medical aid, on humanitarian grounds.

Instability in the Soviet Union does not affect just US/Soviet relations. It could spread to the new democracies of eastern Europe, which could threaten what Washington sees as the west's strategic gain of the past 18 months with the disintegration of communism across the former Soviet bloc.

The US view of President Gorbachev has changed radically since the initial hesitation when President George Bush took office in January 1989. Mr Gorbachev is "for real", the administration agrees, while doubting whether the goals of perestroika are achievable – and Mr Gorbachev is no longer lionised in Washington as once he was.

President Bush has not been deflected by these doubts. Instead, the US has sought to exploit Mr Gorbachev's desire, and need, to co-operate. Led by Mr Baker, a deal-maker by nature, the administration shifted to seeking "points of mutual advantage". These have ranged from arms control via increasingly frequent contacts at all levels, to economic co-operation.

The internal upheavals in the Soviet Union signal a new stage in relations. As Mr Baker recently acknowledged: "The danger is that the breakdown of the old Stalinist system will outstrip the development of a new system – one built on universal democratic values and the rule of law. The hope is that devolution of political authority and decentralisation of economic power will prevail over deterioration and decay."

The west has already begun considering whether and how it can assist Soviet reform. The Group of Seven leading industrial countries have set up a special study into the Soviet economy. But basic statistical information is lacking; so it is hard to know what is needed.

The danger is that the Soviet economy will splinter into several separate markets, even with customs barriers between individual republics with their own currencies. Mr Michel Camdessus, managing director of the International Monetary Fund, which leads the study, has stressed the need for proper management "with all the necessary instruments for monetary policy and macro-economic management".

The final report, due by the end of this year, is not expected to offer a blueprint of the kind being debated in Moscow. Instead, it is likely to present options as to how the west can help.

James Baker, left, with Eduard Shevardnadze, warns that a breakdown in the Stalinist system may outstrip democracy

Each industrial country will go its own way with a varying blend of direct aid and advice, though there may be a sweetener of western support for a Soviet application to join the IMF and World Bank. US policy until now has been publicly to encourage reform, but not to offer direct material aid. Congress – particularly conservative Republicans – remains opposed to bailing out the old enemy. Legal constraints abound. Although the Bush/Gorbachev summit in Washington last June agreed to open up trade links, tariffs will not be cut until passage of the long-debated Soviet laws freeing emigration (though fears are now informally expressed about the effects of any sudden exodus of poor Soviet citizens).

Instead, the administration likes to talk about providing technical advice in problem areas such as transportation, food processing and energy – and it is worried about the Soviet's inability to produce sufficient oil.

Several senior US officials have visited Moscow this year to offer advice. The flow westwards has been even greater. Delegations from Moscow and from provincial republics have arrived in search of the secrets of how the world's largest capitalist democracy functions.

There is genuine enthusiasm in Washington about the current Soviet debates over private property and market pricing because this amounts to what Mr Baker calls the "normalisation of Soviet society". But this is tempered by doubts about whether the idealism of Soviet reformers is matched by a realistic understanding of what is involved.

More immediate are threats to stability. One senior US official wondered, "how chaotic will the Soviet economy be over the next six months". Another senior policymaker raised the danger of strikes this winter in key industries such as mining and railways.

Parallel fears exist about what may happen in January when the Soviet Union switches to selling energy at market prices to its former Comecon partners in eastern Europe. Washington has urged Moscow to exercise restraint in the transition for fear of disrupting the process of reform. Mr Bush recently urged the IMF to provide up to $5bn extra for eastern Europe to soften the impact of higher oil prices.

German leaders have already talked about providing "disaster relief" for the Soviet Union and similar plans are being drawn up in Washington. US officials are examining whether there are legal barriers to supplying humanitarian aid. One commented: "The big unknown is: how much will the Soviet people endure?"

This gloom does not mean that Washington is any less keen on doing deals with the current Moscow leadership. Mr Baker and Mr Eduard Shevardnadze, the Soviet foreign minister, recently wrapped up a conventional weapons treaty which will lead to substantial reductions in tanks, artillery, aircraft and similar military equipment in Europe, especially on the Soviet side. This is the foundation for the future security system for a Europe no longer militarily dominated by the two superpowers.

Perhaps the most important signs of greater collaboration and trust are joint efforts to resolve previously explosive regional conflicts in central America, Angola, Afghanistan and Cambodia.

Iraq's invasion of Kuwait has taken this co-operation a stage further, first in the United Nations Security Council. The support of the Soviet Union, with its veto power, has been crucial to the success of stepping up sanctions against Baghdad. President Bush has consulted Mr Gorbachev on each step.

In practice, the US has sought to co-opt the Soviet Union to its strategy, recognising, however, that Moscow has been a long-standing ally and military supplier to the Iraqi regime. Yet there are differences about when, and whether, military force should be used. When Mr Yevegeny Primakov, a senior Soviet envoy, talked about "political solutions" during his recent shuttle diplomacy, he was received politely in Washington, but was told that the US was not interested in anything short of complete Iraqi withdrawal from Kuwait.

The thrust of US/Soviet relations remains cordial and positive – developing towards what Mr Baker has called "continuous, even lasting co-operation (virtually on a day-to-day basis), not just intermittent or episodic agreements".

The Bush administration is deliberately treating the Soviet leaders as if they were still running a superpower. Negotiations continue to be conducted on a bloc to bloc basis. After all, the Soviet Union still has a vast nuclear arsenal aimed at the US. This approach makes sound psychological and political sense given the sensibilities of Soviet leaders, and especially generals, about their loss of empire.

US officials recognise that the Soviet government is no longer monolithic. In the past few months the Bush administration has begun to expand contacts with leaders of individual republics and cities. A year ago Mr Boris Yeltsin was privately derided in Washington as a communist maverick. Now, in his new incarnation as non-communist president of the Russian republic, US officials take him more seriously.

So, the US is treating the Soviet Union like any other country where there are many views and several power centres. But, officials ask, when does decentralisation turn into disintegration?

Many American conservatives argue that Washington should sit back and watch the Soviet Union fall apart. Mr Bush disagrees. He believes it is better to support the Soviet leadership in its reform efforts because the greatest enemy for both countries is instability. Mr Bush is still staking a lot on the survival of Mr Gorbachev.

Punishment to fit the crime

Alan Pike on a bill to ease the UK's growing prison population

A cartoon in the current Police Federation journal shows a Home Office notice on a courtroom wall: "The passing of prison sentences in these premises is strictly prohibited."

This is one somewhat cynical comment on government proposals, which will appear in a new Criminal Justice bill to be announced in tomorrow's Queen's Speech, to reduce the number of people sent to prison.

It is far from the only viewpoint, even from the police who are often presumed to take a hard line on punishment. A leading article in the same journal accepts that Britain's prison population is too high and that "many offenders are kept there because there is no other way, at present, of dealing with them."

The debate about crime and punishment promises to be one of the star attractions of the forthcoming parliamentary session. Mr David Waddington, the most hard-line of Mrs Margaret Thatcher's home secretaries, finds himself responsible for promoting an inherited package of proposals which is liberal in conception.

He might have wished for a better moment at which to argue with some of his own supporters for a more sparing use of prison. The latest crime figures are the worst on record, with reported offences in the second quarter of this year 17 per cent higher than for the same period last year.

By international standards, there is plenty of scope for reducing the prison population. Britain is high on the west European league for the proportion of offenders sent to jail. Many prisoners, particularly those confined in Victorian prisons, serve their time in conditions far worse than when these institutions were built.

A chance sequence of events has ensured that the state of Britain's prisons – as well as the question of who needs to be held in them – will be a live issue at the same time as the debate on the Criminal Justice bill.

An inquiry set up by the government under Lord Justice Woolf after the riots at Strangeways Prison, Manchester, and elsewhere in the spring has developed into a wide-ranging examination of the prison system.

The Woolf inquiry's report is expected early in the new year, when the bill will be before parliament. It may recommend the introduction of a minimum code of standards for prisoners, covering issues such as privacy, hygiene, training and recreation.

A bill of rights for prisoners would be a significant step forward and welcomed by prison staff as much as by inmates. Its implementation within any reasonable timescale would, however, require a reduction in the numbers held in jails.

The prison population, around 50,000 in 1988, has declined by about 9 per cent during the past 18 months. But Home Office projections of an increase of 14,000 in the number of prisoners by 1997 are used to justify the continuation of a £1bn prison building programme. Prison reform organisations reject these projections and say the government should switch resources from building new prisons to modernising old ones.

The twin principles of the forthcoming bill – strict sentences for those who really must be in prison, alternative, non-custodial punishments in the community for those who do not – might appear to support this argument. There is a risk, however, that the government's proposals for community-based penalties will make little difference to the total prison population.

A menu of community-based alternatives to prison will be available to the courts when the bill becomes law. These will include curfew orders, community service and attendance at day centres for less serious, non-violent criminals.

British judges and magistrates, however, may use the new community penalties mainly as an alternative to fines or probation for people who would not have gone to prison anyway. Some of those sentenced to community-based punishments will breach the terms of their orders and finish up behind bars. New parole arrangements mean that prisoners will in future have to serve at least half their sentences before release, rather than one-third. And the government is combining its plans for keeping lesser offenders out of jail with longer sentences for those who commit really serious crimes.

Adding all these factors together, it is probable that the proposals in the bill will cut the prison population by hundreds rather than thousands – the most perverse possibility is that prison numbers could even increase.

The desire to avoid jailing people unnecessarily is supported by organisations involved with the prison service. One of the strongest arguments against flogging by an earlier generation of penal reformers was the lack of evidence that it deterred future errant behaviour. The same can be said about the effect of overcrowded prison life on young, often socially-deprived, petty offenders.

"There is a clear link between offending and social deprivation," Mr John Roberts, chairman of the National Association of Probation Officers, said last week. "To believe that all those who commit crime are bad people who will reform if punished is a belief so far removed from reality as to belong to the world of fantasy."

Howe's worth in the City

■ These are lean times for City head hunters.

Which must explain why Jonathan Wren, the City recruitment consultancy, was so quick to put out an assessment yesterday of what Sir Geoffrey Howe could expect to be paid now that he has suddenly and unexpectedly became available.

The consultancy says that Sir Geoffrey "has become the prime candidate for a top job in the City. His management experience in the two largest departments of state makes him the best qualified politician to leave government in the last decade."

Since June this year average salaries being dangled before prospective candidates by City companies for new recruits have increased by only 1.3 per cent. That works out at less than 4 per cent a year. Meanwhile, increasing numbers of more expensive employees have entered the City jobs market – many because of redundancy or the threat of it. The Square Mile is not exactly a job-seeker's market at the moment.

However, Sir Geoffrey Howe is a special case. Wren describes him as "an irresistible catch for any vacant chair", and says he can expect to command £250,000 a year basic, with total earnings approaching £1m in a good year.

With inducements like that being dangled before them Margaret Thatcher will have to engender remarkable qualities of loyalty to retain any members of her Cabinet at all.

Seasonal bird

■ Have you ever thought of giving a wild swan, a goose, or a flamingo, as a Christmas present?

The idea of offering such fowl live – rather than stuffed, trussed, and roasted, in the traditional seasonal way – is being promoted by the Wildfowl and Wetlands Trust at Slimbridge, Gloucestershire.

For £20 a year a sponsor can now adopt a migrating Bewick swan, which arrives every winter from the Siberian breeding grounds 2,000 miles away. You will also get a portrait and a personal history of the bird, along with vouchers for free visits to the trust's centres.

For those with more modest budgets, there is a sliding scale of adoptable fowls – £15 for a resident Nene or a flamingo, £12 for a migrating goose, and £8 for a travelling duck.

OBSERVER

Entrance fee

■ Among the less well known travel tips of our time must be the fact that if you are British and visiting Turkey it is as well to make sure that you have got a five pound note on you when you arrive.

For the past year, Britons, unlike nationals of all other Western countries, have had to pay a fiver for an on-the-spot visa when they enter Turkey. The visa was introduced as a riposte to Britain's decision to require visas from Turks entering Britain, in a bid to halt the swelling number of illegal immigrants.

What exasperated Turkish officialdom was that Britain, unlike France and Germany, was not willing to allow holders of Turkish official passports to enter without visas, hence the sanctions.

The way they work however may be even more irksome than the Turkish authorities originally intended. Passengers arriving on BA's flight from London the other day found the visa desk abandoned.

After dutifully forming a queue they had to pressgang Turkish airport officials to sell them visas.

Nor was the sale particularly easy. An embarrassed clerk explained that he could only take £5 notes and could not offer any change, though he would issue two visas for £10.

"Delete Squarial".

Science sell

■ Sir John Fairclough is seeking new members for Cest, the exclusive club of 18 science-based British companies which set up this thinktank - the Centre for Exploitation of Science and Technology - two years ago. Members include BP, ICI, and Rolls-Royce.

Unlike many London clubs, its worry is not money but a belief that its thinking needs to penetrate faster and deeper into British industry. He believes it's "more important for companies to build an intellectual relationship with science than to donate money."

Fairclough, the government's former chief scientific adviser, has served on Cest's council since its inception. Now that he has handed the chief scientist role over to Professor Bill Stewart, he has been elected Cest's new chairman. Cest started with two big objectives, Fairclough says – to set national priorities for exploitable science, and to identify what its 18 founder-companies wanted to do.

In the second objective "I believe it has succeeded beyond my expectations, by an order of magnitude". But it has never really addressed the first objective.

Fairclough is particularly eager for industry to look upon the new interest of government in environmental issues as a technical opportunity. Although it involves investment, he says, "the irony is, it often leads to greater efficiency".

Shirt fronts

■ Bloomingdales, the New York department store, has caught the retailer's version of patriotic fever.

It has begun advertising a Christmas gift package for the American men and women in the Persian Gulf. Friends, relatives, and well-wishers, can order the packages to send to specific soldiers, or to those chosen by the services.

The package contains a set of games, popcorn, pretzels, fruit cake, and assorted other edible American gewgaws.

While they are cosy reminders of home, two other items are clearly intended to boost troop morale. The package includes a bright coloured cap emblazoned with "Home of the Brave", and a sweatshirt sprinkled with phrases from the World War Two hero General George Patton.

All that for just $60.

Foresight

■ It is not in the same league as the sign on the New York subway which counsels: "Are you illiterate? Call this number."

But the National Health Service prescription from the optician had me squinting for a moment or two when it asked: "Please read the back of the form before you buy your glasses."

TODAY 14 YEARS AGO. KNOCKANDO YOU REMEMBER?

Girl bites dog. Ila Erkens is attacked by two dogs and escapes by biting one of them on the nose. Her condition today in hospital is described by Alaskan police as 'fair.'

Virginia Wade beats Chris Evert 6-2 6-2. The Telegraph reports that 'Miss Wade, 31, played the sort of dream game she has often threatened but all too often failed to achieve.'

The BBC screens 'Rosemary's Baby' and Mrs Mary Whitehouse complains that 'through the early hours of the morning I received calls from men who were too sick and angry to sleep.'

At the Knockando distillery, another 'Season of Distillation' begins. The pure, natural spirit is poured into oak casks where it slumbers unmolested until the day it is deemed fit to be bottled, twelve or more years from hence.

Both dates are recorded on the label. The difference between the two is the age of Speyside's most singular, single malt whisky.

THE VINTAGE MALT

هكذا من الأصل

LETTERS

Information technology: a challenge for the European Commission

From Mr A.B. Cleaver.

Sir, The analysis in your editorial comment ("Power failure in high-tech," October 25) is an excellent summary of the shortcomings of past European Community policies for the information technology industry and a valid prescription for the way forward.

It is undoubtedly true that programmes aimed at subsidising "European champions" have done little to enhance the competitiveness of those producers or substantially contribute to European capabilities in the development of key technologies. The recent takeover of ICL by Fujitsu was significant in this context because it highlighted the reality of the industry today – that it is globally based and should be treated as such.

Your suggestion that future policies should focus on the development of a vigorous and sophisticated market therefore makes good sense. It is only by ensuring open and fair competition and a low regulatory profile that users can be guaranteed the best internationally available products and services while the market operates at its optimum efficiency.

I am sure that the European Commission has a significant role to play in achieving this and I would hope that it is prepared to accept the challenge.

A.B. Cleaver,
chairman and chief executive,
IBM United Kingdom,
PO Box 41,
North Harbour,
Portsmouth, Hampshire

N Carolina voters and the race issue

From Mr Scott Pegg.

Sir, As an American expatriate from Richmond, Virginia (who voted for Doug Wilder in 1985 and 1989) I read with great interest Peter Riddell's article on the North Carolina senatorial election. ("Black candidate offers liberalism its greatest prize," October 30). Several points require comment.

Mr Riddell states: "As so often in the south, it comes back to a question of race." It is true that race does play a large role in elections in the south. However, it is unfair to isolate the south in this way. A more accurate statement would be that race plays a role in the whole of the US, possibly even in the entire world.

It is important to remember that Virginia is the only state to have elected a black governor. On a state legislative level it is often felt that no state can compare to Mississippi in terms of both the quantity and quality of the black delegation.

Mr Riddell also makes reference to the possibility of white voters lying to pollsters. This issue receives undue attention.

In the Virginia gubernatorial election, rather than emphasising the truly monumental historic aspects of Mr Wilder's victory, commentators criticised Virginia voters because his margin of victory did not live up to the expectations of the pollsters.

But perhaps the polls are not as reliable and accurate as we are led to believe. If white voters do indeed lie to pollsters, so what? There is no law which says you must tell the truth to intrusive poll takers.

Moreover, this lying can work the other way. There may be voters who quietly support candidates like Mr Wilder or Mr Harvey Gantt but do not openly express this support because they do not want to offend some of their more conservative neighbours.

Whether Mr Gantt wins or loses in North Carolina it is important to remember that there are many issues involved. Race is far from the only issue and, indeed, it may not even be the most important. There are many reasons to vote for or against Mr Jesse Helms that have nothing to do with Mr Gantt's race.

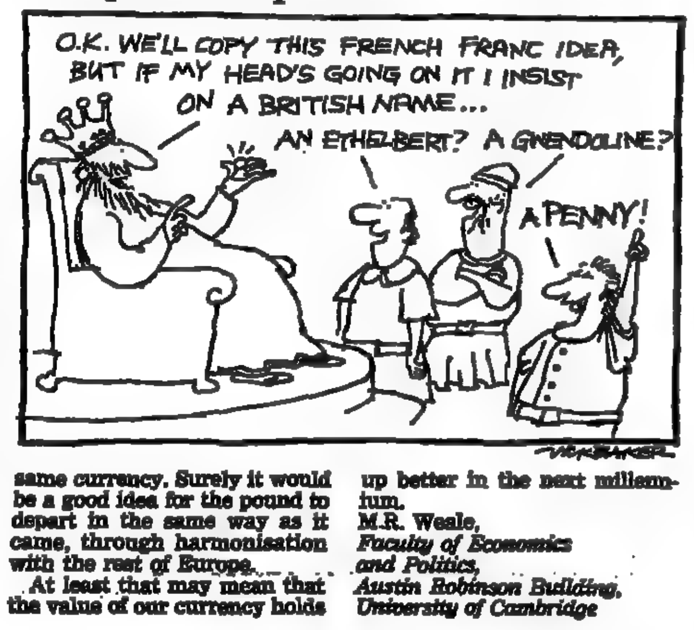
Scott Pegg,
Flat 83a, 6 Hall Road, NW8

When Offa copied Pepin and pennies were silver

From Mr M.R. Weale.

Sir, Mrs Thatcher treats the issue of the pound sterling as one of sovereignty. She may be unaware of its origins.

Sir Albert Feavearyear, the historian of our currency, records that the silver penny, of which 240 were minted from one pound of silver, was probably introduced by King Offa of Mercia around 775. Within 100 years Emu (English Monetary Union) had spread this currency throughout the Saxon kingdoms.



At today's price of silver, one pennyweight would be worth just over 10p, suggesting that the pound today is worth just over 4 per cent of its value of over a millennium ago.

But the pound sterling in fact arrived through a sort of eighth-century Delors plan.

King Offa copied the idea from Pepin in France, and probably gave England the same currency. Surely it would be a good idea for the pound to depart in the same way as it came, through harmonisation with the rest of Europe.

At least that may mean that the value of our currency holds up better in the next millennium.

M.R. Weale,
Faculty of Economics and Politics,
Austin Robinson Building,
University of Cambridge

Time for UK to give a lead on trade marks

From Messrs M.K. Padmore, W.E. Caro and D.H. Tatham,

Sir, Our organisations have been greatly encouraged by the recent publication of the white paper on reform of trade mark law. This clearly illustrates the government's continuing commitment to improving the legal protection of intellectual property rights in the UK.

What is now required is the early enactment of these proposals and it was disappointing that nothing was said to this effect at the Conservative party's Bournemouth conference, nor has any editorial comment referred to the possible inclusion of a trade marks bill in the Queen's Speech.

Whilst we appreciate the pressure on parliamentary time, our organisations, and others on the government's standing advisory committee, were consulted in advance and our views are, for the most part, reflected in the white paper. So neither legislators nor the parliamentary timetable should be unduly taxed by a trade marks bill.

Early legislation is in any case an obligation under the European Community's harmonisation directive of December 21 1988. If the opportunity is taken to update British trade mark law at an early date, the pattern which is set could influence the actions of other member states with consequent benefits for British industry and commerce.

The white paper concedes that current British trade mark law is incompatible with the proposed Community trade mark system, so if the EC trade mark regulation comes into effect before British trade mark law has been updated, British industry and commerce will be placed at a serious disadvantage *vis-à-vis* its competitors in other parts of the EC.

The white paper forecasts ratification by the UK of the Madrid protocol permitting, for the first time, trade mark owners in a common law country to avail themselves of a system for the international registration of trade marks. This has been hailed as one of the most significant developments since the UK enacted the first Trade Marks Registration Act in 1876 and other countries are looking to the UK to give a lead.

M.K. Padmore,
president,
Institute of Trade Mark Agents,
W.E. Caro,
president,
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D.H. Tatham,
president,
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A lesson from the Polly Peck débâcle

From Mr Peter Thompson.

Sir, The Polly Peck débâcle draws attention to one deficiency of published accounts which could easily be rectified. What is needed is the modern equivalent of the old-fashioned parent company accounts.

These might be called parent group accounts. The parent group profit and loss account would consolidate only those profits which could be remitted to the parent without any restraint of law, currency regulations or outside shareholders. For other subsidiaries only the dividends paid to the parent company would be included.

The parent group balance sheet would consolidate only the assets of these subsidiaries, the other subsidiaries being treated as trade investments, but would include all liabilities for which the parent or any of the parent group companies, was ultimately liable.

Publication of parent group accounts might have made apparent much earlier the fragile situation of Polly Peck and British & Commonwealth.

Peter Thompson,
The Pond House,
13a Pond Road, SE3

All asset values are elusive, not just the intangible variety

From Mr Terry Connor.

Sir, Lex's commentary on intangible asset values ("Publishing assets," October 29) failed to tackle the real issues surrounding balance sheet valuations, and introduced at least one red herring often levelled at stocks like MCC, Reed and News Corporation.

If there is a message in recent corporate disasters (incidentally, all non-publishing companies) it is surely that all asset values are elusive and not just the intangible variety.

The FT appears to acknowledge this point in its comment on Brent Walker in the same issue: "when it comes to the crunch assets are worth only what someone else is prepared to pay for them" ("Flying high over the debt mountains").

The fact that many companies own the same kind of machine tool, to take your example, certainly allows balance sheet valuation comparisons to be drawn but says nothing about their actual market value in a forced sale.

Your assertion that the value of machine tools is governed by others like them, whereas that of the Sun or Heinemann is subject to market conditions, is illogical. Surely the actual value of the machine tools is a function of the machine tool market, not the stated value in the balance sheet.

Lex moved on to discuss a well known red herring – that plant and machinery have the "conservative merit of being depreciated". This assumes that depreciation policies are both realistic and consistent, which they are frequently not. Moreover, it leaves open the question of how to value assets that are "homegrown" (not purchased) and which are major contributors to a company's profits, as in the case of Pergamon Journals at Maxwell Communications or various titles at Reed International.

To exclude these from balance sheet valuations renders the stated worth of the company even more meaningless. To depreciate them over any reasonable period – say 20 years – ignores the fact that these assets frequently continue to produce profits well beyond that period and therefore merely defers the balance sheet valuation issue until they are "written off", or is it proposed that, having written them off once, companies should go back to square one and start writing them off all over again?

In the US, of course, purchased goodwill is written off through the profit and loss account. The net effect is that most analysts promptly add it back to calculate underlying growth.

These arguments are hugely entertaining for the analytical and journalistic community but are hardly helpful to shareholders. What surely matters is cash flow, a point only peripherally touched on by Lex. Cash flow is the ultimate determinant of debt servicing ability and the quality of the future dividend stream. It is, therefore, a much better guide to the "worth" of a company than a necessarily subjective tangible or intangible asset figure. It also has the advantage of being rather less easily manipulated than asset values!

Lex rightly points out that the market has chosen to value publishing companies on that basis, that is using interest cover rather than meaningless gearing ratios. The lesson of recent corporate disasters is surely that until the accounting profession produces balance sheet standards that are meaningful for both intangible and tangible assets, if that is not impossible, than the publishing sector is leading where the rest of the market might be well advised to follow.

Terry Connor,
publishing analyst,
Smith New Court,
Chetwynd House,
24 St Swithin's Lane, EC4

Independent schools and the Oxbridge connection

From Mr S.W. Hockey.

Sir, Peggy Hollinger's statistics ("The Oxbridge Connection," October 28) are misleading. There are indeed "only about 7 per cent of British children in private education" but this figure represents the percentage taken across the whole of the school age range. No fewer than 20 per cent of the total GCE A-level candidates attend independent school sixth forms and the implication that there are some seven times the number of ex-independent school children that there should be at Oxford and Cambridge is a distortion.

That the proportion of A-level candidates in independent schools is 20 per cent of the whole cohort arises from a much higher staying on rate at 16 per cent. It is interesting to reflect whether this much better staying on rate is more a function of the expectations of school and parents than of the subject matter studied.

There is much contemporary controversy about making A-levels, or AS-levels, more attractive to increase the staying on rate in our sixth form and it has to be observed that the staying on rate in independent schools runs at a very high figure already well ahead of the government's medium-term targets and three times that in the maintained sector.

But even the greater staying on rate is not the conclusive statistic. To gain admission to Cambridge, for example, usually means attaining A-level grades of the order of AAA. Cambridge admissions tutors are surely making their offers on a strictly neutral basis and with independent school A-level candidates attaining the highest grades at A-level in greater proportions, and more consistently, than their maintained sector counterparts, the 43 per cent "success" rate is fully explained by better performance.

S.W. Hockey,
headmaster,
Christ College,
Brecon, Powys

The taxpayer's duty free bill

From Mr Shobhana Madhavan.

Sir, Paul Ryan (Letters, October 29) is right. The system of duty-free shopping means that the taxpayer, in effect, subsidises the construction and operation of airports, and purchases of liquor and tobacco by air travellers.

The effects will be mitigated when duty-free sales are discontinued for travel within the EC. However, this is a by-product of the abolition of frontier controls: it does not signify a recognition of the unfairness of existing arrangements.

The system is a depressing testimony to the economic illiteracy of politicians, and to their pusillanimity in the face of vested interests.

Shobhana Madhavan,
28 Newburn Street, SE11

Still beating it out

From Mr Robert E. Ruggeri.

Sir, Antony Thorncroft's provocative review of the Grateful Dead rock 'n roll concert at Wembley (November 1) contains a grievous error.

He states that "a couple of the drummers have passed on to the ultimate trip in the sky".

This is wrong. The band's long-time drummers Bill Kruetzmann and Mickey Hart are alive and apparently in adequate health. On the other hand, over the years three consecutive keyboard players have met early deaths: Ron "Pigpen" McKernan, Keith Godchaux, and, most recently, Brent Mydland.

Robert E. Ruggeri,
1737 H Street NW,
Washington DC

FOREIGN AFFAIRS

Navigation without a compass

Britain's policy on Europe lacks direction, says Robert Mauthner

"Any serious foreign policy must be consistent about ultimate objectives; equally it must be flexible about achieving them."

These words were used by Mr Douglas Hurd, the British foreign secretary, only a few days ago when addressing the Royal Institute of International Affairs on the occasion of its seventieth anniversary. The least that can be said is that they show once again how unsuccessful governments and their leaders are in living up to the precepts they so liberally dispense.

The resignation of Sir Geoffrey Howe as the result of disagreements over Britain's European policy and the whole domestic debate about the desirability or otherwise of a European economic and monetary union, has underlined the lamentable failure of successive British governments to meet at least the first, and most essential of Mr Hurd's above-mentioned criteria.

In the circumstances, one should not be surprised that the foreign secretary's review of British foreign policy at Chatham House did not touch on Britain's role in the European Community at all. "There will be other occasions for that," he said, perhaps aware of Sir Geoffrey's imminent resignation and not wanting to pre-empt a subsequent speech to industrial leaders. But the remark, however unintentionally, was somehow symptomatic of Britain's policy on Europe ever since it failed to sign the Treaties of Paris and Rome in the 1950s, setting up the European Coal and Steel Community and the European Economic Community.

Those were the days when Britain's trade outside Europe – with the Commonwealth, above all – was still much greater than with the continental European nations and when the cold war and the Soviet military threat gave some credence to arguments that the Atlantic relationship was more important to Britain than closer links with Europe. Not wanting to be completely cut off from Europe, however, Britain tried to have it both ways through its sponsorship of the then seven-nation European Free Trade Association, which offered comparable trade advantages to its members without the political, institutional or agricultural constraints of the EEC.

Yet even when the late Lord Stockton blew away some of the post-imperial cobwebs which still clouded perceptions of where the country's real interests lay by making Britain's first, if abortive, attempt to join the Community in 1962, or when Britain finally became a member in 1973, was "the ultimate objective" of British policy clear. There was no doubt about the immediate aim: to take full advantage of the economic benefits of membership, while seeking to modify from the inside the unpleasant aspects of the Community, such as the common agricultural policy, and putting a brake on any developments which smacked of supranationality or could undermine the transatlantic relationship. But in spite of lip-service to the broader political aims of European unification, any attempt to spell out the precise route the Community should be taking in the future was studiously avoided in London.

From the very beginning, Britain's policy towards European unification has been essentially conservative, in the broadest sense of the term, unimaginative and short-sighted. With the one admittedly important exception of the creation of the single market, it has treated the Community as a static organism which can continue to exist almost for ever in its present form without any further mutations other than the eventual entry of more members. It has tended to ignore, at the cost of being progressively isolated, the deep political, historical and psychological motives which have spurred on the other member states to set ambitious targets for the further development of the joint enterprise.

There is nothing "airy-fairy" about Euro-idealism, whatever Mrs Margaret Thatcher may think. It is based on a common historical experience, shared to a large extent by the British people, but which has had a smaller impact on this country, presumably because it has never been physically occupied by foreign forces. It is the enormous devastation and loss of life caused by successive European wars which originally led France and Germany, in particular, to attempt to forge common institutions in which sovereignty would be progressively pooled or shared and which would make it difficult, if not impossible for either of them again to wage war on each other.

Britain's pragmatic and evolutionary approach to the problems of European unification has prevented it from endorsing any consistent long-term objectives for the Community's development, other than the completion of the single market. As a result, British policy inside the Community has become reactive, leading to constant clashes with the other member states which have a clearer idea of where they are going.

Overriding importance is given to the technical aspects of problems rather than their contribution to an agreed grand design

In Mrs Thatcher's view, it is pointless to talk of political union or economic and monetary union without knowing exactly what the terms mean and what are the detailed measures needed to achieve them. In short, overriding importance is given to the technical aspects of problems rather than their contribution to an agreed grand design. Britain's partners, by contrast, are anxious first of all to set the political objectives and specific deadlines for their achievement, and then leave the technicians to work out how they can be attained in practice.

The case in favour of this political approach, which is also behind the latest decision by Britain's partners to forge ahead with economic and monetary union, is that this is the only way to ensure that progress is made. *En route,* of course, all sorts of obstacles will be met, as they will undoubtedly in working out the powers and functions of the proposed new European central bank and the introduction of a single currency, if it should ever come to that. But the adoption of clear objectives and deadlines, even if these are not met in the first instance and have to be extended, allows the necessary momentum to be maintained.

Though they have become more accustomed to British modes of thought and Mrs Thatcher's abrasive personal style over the past decade, it is still a matter of great puzzlement to other Community members that Britain should continue to navigate in Europe without a compass. There is, after all, no credible alternative for a small-to-medium-sized nation with an ailing economy to full participation in the process of European unification, as there might have been at one time.

The argument that support for greater European integration is tantamount to "bucking the trend", at a time when ancient national minorities are emerging from the long night of communist domination and are striving to become fully independent, is rightly dismissed by most western European governments. Certainly, a very good case can be made in favour of widening the membership of the Community by extending it to newly democratic eastern European countries such as Poland, Hungary and Czechoslovakia, with their traditional ties with western Europe. But not at the expense of watering down the content and aims of the EC which, in spite of the propaganda of the anti-European lobby in Britain, do not, inevitably, include a fully federalist structure.

Instead of worrying about the loss of an often theoretical national sovereignty, British foreign policy should be more concerned about the chaos that could overtake Europe if the Soviet Union is effectively dismantled and all the central and eastern European minorities become "sovereign" states. An integrated western Europe, to which Germany is firmly anchored, will provide a pole of political and economic stability sorely needed in a continent in serious danger of Balkanisation. It will also have a weight in world affairs to which no single member of the Community could possibly aspire.

These are hardly new verities. One can only be amazed that, up to now, they have had so little influence on Britain's European policymakers.

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Tuesday November 6 1990

THE ARTFUL DIGGER
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CONSTRUCTION EQUIPMENT

EUROPEAN AEROSPACE

Germany is likely to take industry lead

By Paul Betts, Aerospace Correspondent, in London

THE GERMAN aerospace industry is expected to become the largest in Europe by the end of 1993, overtaking Britain and France in the next three years.

The German industry is expanding at a rate of about 14 per cent a year, according to a report on the European aerospace industry published by the London-based Industry Research Group. This is almost three times the growth rate of France and nearly four times the growth rate of the British industry.

The report warns that the British aerospace industry, currently the largest in Europe, will slip to third place by the end of 1993.

Mr Philip Abbott, head of the research group, says the trend is disappointing for British companies but is not surprising considering the economic situation.

"British companies are struggling to finance new plant and equipment that will enable them to compete on the European aerospace market, and to some extent German industry is better placed technically and commercially to take an increasingly larger share of the supplier and subcontract market," he says.

Germany signalled its intention of becoming a significant force in world aerospace with the consolidation of its aerospace industry around the German Daimler-Benz car company last year. Daimler-Benz has since grouped together its aerospace assets in a large subsidiary called Deutsche Aerospace.

This subsidiary is expected to complete soon a series of important agreements including an equity swap between its Motoren-und Turbinen-Union (MTU) aero-engine company with Pratt & Whitney of the US and a joint helicopter venture with Aérospatiale of France.

The German company also successfully campaigned for final assembly responsibility at Hamburg for the new Airbus A321 aircraft, the stretched version of the fast-selling Airbus A320 twin-engine 150 seat airliner.

Mr Jurgen Schrempp, Deutsche Aerospace chairman, outlined his group's expansionary strategy at the recent Farnborough Air Show in England, saying the German company's ambition was to bring the German aerospace industry on the level of an equal partner rather than a junior partner as had been the case in the recent past.

Deutsche Aerospace is also expected to take a decision before the end of the year on the possible development of a 100-seat regional jet airliner.

The Industry Research Group's report forecasts a substantial growth in regional air transport brought about in part by capacity limitations at large European airports. It also says regional jets will become increasingly popular.

Sharp fall in trade surplus, Page 3

Thatcher ready to defend her leadership

By Ralph Atkins in London

MRS Margaret Thatcher, the British prime minister, yesterday signalled her determination to fight off any challenge to her leadership of the Conservative party following Sir Geoffrey Howe's resignation as deputy prime minister last week.

As speculation continued unabated about a challenge for the leadership from Mr Michael Heseltine, the former defence secretary, officials said the prime minister's mood was to "stand and fight". One said: "She ain't going."

Mrs Thatcher is preparing to give a robust defence of government policies when she speaks in the House of Commons after the state opening of parliament tomorrow. A substantial section is expected to be devoted to the debate on economic and monetary union.

Mrs Thatcher's determination not to alter her stand on Europe or to be cowed by disarray in the Conservative party over her combative style emerged after meetings with senior party figures at Downing Street (the prime minister's official residence) in London yesterday.

She was joined at lunch by Mr Kenneth Baker, party chairman, and Lord Whitelaw, the former deputy prime minister, who has been credited with providing a calming influence at previous times of turmoil in the Conservative party. Mrs Thatcher left afterwards for the world climate conference in Geneva where she is to speak today.

Margaret Thatcher leaves Downing Street last night

Conservative party nerves are likely to be stretched still further on Thursday by a by election in Bradford, in the north of England. Conservative central office is bracing itself for a poor result in which the candidate could be pushed into third place after a clumsy campaign.

On the same day, Mr John Major, the chancellor, is expected to unveil in the House of Commons public expenditure plans for the next financial year. Labour yesterday accused him of seeking to divert attention from its impending by-election defeat.

Mr Heseltine's criticism at the weekend of the prime minister's negotiating style continues to fluster Tories, although he has not so far signalled any intention to mount a full-blown challenge to her leadership.

Senior Tories, including Mr Douglas Hurd, foreign secretary, continue in their efforts to appear positive towards the EC and to play down the chances of Mrs Thatcher facing a challenge.

Party managers do not expect a "stalking horse" candidate this month to pave the way for other contenders to enter a subsequent contest, but are not yet convinced that Mr Heseltine has decided against standing. They said he should "put up or shut up" – a line echoed in public its candidate in Bradford.

The series of meetings Mrs Thatcher's held at Downing Street were described as "routine" by officials but contributed to the atmosphere of a prime minister under pressure and anxious to take soundings from colleagues.

Mr Heseltine was yesterday accused by the Bruges Group of Conservative MPs, which supports the prime minister's line on Europe, of misleading people when he said British involvement in Europe would guarantee Britain had a strong voice in future EC deliberations on its development.

Janata split may shape coalition with Gandhi

By David Housego in New Delhi

MR RAJIV GANDHI, the Congress party leader and former prime minister, will today explore the possibility of forming a government with a breakaway faction of the Janata Dal party under Mr Chandra Shekhar.

The split in the Janata Dal, the party of Mr Vishwanath Pratap Singh, the prime minister, came at yesterday's party meeting to determine the leadership issue before tomorrow's vote of confidence.

A group of rebels did not turn up and instead held a separate meeting at the house of Mr Devi Lal, who was dismissed in July as deputy prime minister. A faction of 68 members of the 140-strong parliamentary group announced that it was setting up a new party. The rebels expelled Mr Singh from the Janata Dal and in turn the official party expelled 25 of the rebels, including Mr Shekhar. Mr Shekhar, 63, is a prominent party figure who has long had ambitions to be prime minister.

Mr Singh's followers claimed that 83 members of the Janata Dal parliamentary party attended the official meeting to endorse the prime minister's leadership.

The Congress party immediately welcomed the creation of the new Janata Dal and announced that Mr Gandhi would meet Mr Shekhar today.

Mr Gandhi and Mr Shekhar are separated by personality and policy differences, and today's meeting is hardly imaginable but for the depth of the political crisis.

Mr Shekhar's hope is to form a minority administration that would be supported from outside by the Congress party.

President Ramaswamy Venkataraman, however, has privately indicated that he is unwilling to name a prime minister from a faction which can only claim 68 members in a parliament of 543.

The president would prefer Mr Gandhi – who has the backing of about 206 members – to form a coalition government with Mr Shekhar.

However, Congress has no wish to be part of a coalition government during such a difficult civil and economic time. While curfews were relaxed in towns across India, at least 13 more people were killed in continuing Hindu-Moslem violence. The only reason for Congress to may examine seriously such a the possibility is that if it thought rule by coalition rule would help postpone elections.

Hurd stresses Conservative unity on Europe

By Charles Leadbeater and Michael Cassell in London

MR DOUGLAS HURD, the British foreign secretary, yesterday stepped up ministerial efforts to portray the government as united and enthusiastic in its approach to Europe and attempted to head off the prospect of a challenge to Mrs Margaret Thatcher's leadership.

However, Mr Hurd, speaking at the annual conference of the Confederation of British Industry in Glasgow, was less strident than the prime minister in his reservations over the current pace towards economic and monetary union.

He said the government could continue to defend Britain's interests "without frightening ourselves with ogres", which appeared to encourage Mrs Thatcher to moderate her approach to European issues.

There was, he stressed, no "dread conspiracy" against Britain but an argument in which it had no reason to be scared or defeatist. He added: "Some of us have spent too long on this cause to let it founder."

The foreign secretary, who afterwards claimed there was a "very strong desire" within the Conservative party to avoid a leadership struggle, also laid particular emphasis on the role that he and Mr John Major, the chancellor, would play in the forthcoming EC inter-governmental conferences to discuss economic, monetary and political union. He said that he and Mr Major would be attending "with a quiver full of good ideas" and would work to reach agreements enabling the community partners to co-operate more closely.

He reiterated the government's support for a common currency but again used the point designed to cover differences within the party over a single currency by saying its eventual introduction would be "the result of choice and not imposition".

In a clear reference to Mrs Thatcher's repeatedly stated determination to protect British sovereignty, Mr Hurd pointed out that community action on foreign trade had already involved the pooling of sovereign powers.

The extent to which powers were pooled in future would be occasionally reviewed but the EC would not extinguish the identity of nation states, he said.

Mr Hurd said no-one was suggesting that Britain should withdraw the sovereignty which had already been pooled in the community or abandon long-standing treaty commitments. However, neither was Britain expected to submerge its parliament and other institutions into a federal state.

CBI members have been expressing fears that the latest political row with Britain's European partners could undermine longer-term business prospects within Europe.

Mr Hurd's speech was generally well received, and several leading business figures suggested that the foreign secretary had made an impressive effort to reiterate the government's commitment to Europe and to help reassure the business community that ministers remained intent upon closer economic co-operation within the Community.

Details, Page 13

Baghdad softens stance on hostages

Continued from Page 1

were meeting in Rome last night in an apparent attempt to repair the embarrassment caused by Mr Brandt's arrival in Iraq yesterday.

The political co-operation meeting was called by the Italian presidency of the EC at the original request of Belgium and the Netherlands supported by West Germany.

Although at least half of the twelve governments were represented by junior ministers, sensitivity in Bonn to the widespread anger among EC governments at the Brandt mission was underlined by the presence last night of Mr Hans-Dietrich Genscher, the West German foreign minister, who has unsuccessfully been trying to muster international support for Mr Brandt.

The former Social Democratic chancellor, and by extension the West German government, have been widely criticised within the Community for making his visit to Baghdad little more than a week after the EC heads of government summit in Rome agreed to discourage all single initiatives aimed at securing the release of hostages.

Bonn has not been seen to make any effort to dissuade Mr Brandt, who has travelled alone to the Iraqi capital despite earlier indications that he would be accompanied by Mr Willy De Clercq, the former Belgian EC commissioner, and Mr Emilio Colombo, a former Italian prime minister.

Mr Brandt has denied that he will be negotiating for the release of western hostages, saying that he wishes to enhance a peaceful settlement of the Gulf crisis.

The feeling in Rome ahead of last night's meeting was that Mr Genscher may be seeking the Twelve's endorsement of the Brandt initiative and a declaration which puts more flesh on the summit call for an intervention by the UN secretary-general to secure the hostages' release.

UK Bank chief sees European supervisory role

Continued from Page 1

under the Delors plan for EC monetary union.

As part of that plan, a committee of central banking officials has been considering the supervisory angle.

Its chairman is Mr Brian Quinn, the Bank of England's executive director in charge of banking supervision.

Mr Leigh-Pemberton described his remarks yesterday as "very speculative", and bankers doubted that individual EC central banks would be enthusiastic about the idea of ceding supervisory power to a new institution.

But the governor's speech was taken as an indication of the distance that officials have thought through the implications of monetary union.

US elections pay no attention to Gulf issue

Continued from Page 1

the richest agricultural land in the US. The word Gulf did not cross her lips once.

The small crowds who greeted her also had other things on their mind: medical insurance, faltering regional economy, abortion, costly environmental initiatives and above all, crime.

In Texas, Mr Clayton Williams, the conservative Republican running for governor, makes no mention of the Gulf or President Saddam Hussein of Iraq, in his campaign appearances. Only when asked about ways to resolve the crisis does he say: "I would send the boys in."

President Bush has only just brought the Gulf to US thinking in the past week: one day in Virginia he warned Mr Saddam that he had "just about had it" with Iraq's treatment of US embassy staff in Kuwait; the next day, in Florida, he told a news conference: "I'm not trying to sound the tocsin of war." The budget crisis has clearly hurt Mr Bush's standing. In California, he was treated as good old George, a figure of fun.

The apparent public indifference towards the Gulf crisis may, however, be misleading. Talking to voters, the striking impression is of how many feel the country is heading in the wrong direction. The prospect of war heightens this mood of uncertainty.

If a desert war were to break out, the return of Congress coupled with wall-to-wall TV coverage would inevitably turn the crisis, and US involvement, into a political issue.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	17	63
Algiers	S	16	60
Amsterdam	C	8	46
Athens	F	23	75
Bahrain	S	28	84
Bangkok	F	32	91
Barcelona	F	15	59
Beirut		–	–
Belfast	S	8	46
Belgrade	F	7	45
Berlin	F	5	41
Biarritz	S	8	46
Bombay	S	32	90
Bordeaux	S	8	46
Boulogne	F	11	52
Brussels	S	7	45
Budapest	F	10	50
Buenos Aires	C	26	80
Cairo	S	27	81
Cape Town	F	17	63
Caracas	C	29	84
Casablanca	F	20	68
Chicago	C	5	41
Cologne	C	6	43
Copenhagen	S	5	41
Corfu	C	16	61
Dallas	S	2	36
Dublin	C	7	45
Dubrovnik	S	17	63
Edinburgh	C	7	45
Faro	C	15	59
Florence	S	12	54
Frankfurt	C	7	45
Geneva	C	7	45
Gibraltar	C	17	63
Glasgow	S	8	46
Helsinki	S	2	37
Hong Kong		–	–
Innsbruck	Sn	1	34
Inverness	R	7	45
Islamabad	F	26	79
Istanbul	S	22	73
Jakarta	C	32	91
Jersey	S	11	52
Johannesburg	F	27	81
Lima	C	20	68
Lisbon	S	12	55
London	F	8	46
Los Angeles	S	12	54
Luxembourg	C	3	38
Madeira	C	21	70
Madrid	C	11	52
Majorca	S	17	63
Malaga	F	18	64
Malta	F	21	70
Manchester	F	7	45
Manila	C	32	90
Melbourne	S	27	81
Mexico City	F	24	75
Miami	S	18	64
Milan	S	13	55
Montreal	F	1	34
Moscow	C	5	41
Munich	H	1	34
Nairobi	F	23	73
Naples	F	16	61
Nassau	F	30	86
New Delhi	S	27	81
New York	S	12	54
Nice	S	16	61
Nicosia	S	27	81
Oporto	S	15	59
Oslo	S	7	45
Paris	C	7	45
Peking	S	12	54
Prague	Sl	1	34
Reykjavik	C	7	45
Rhodes	S	22	72
Rio de Janeiro	C	30	86
Rome	S	16	61
Salzburg	C	2	36
San Francisco	S	12	54
Seoul	F	17	63
Singapore	F	29	84
Stockholm	S	3	37
Strasbourg	C	7	45
Sydney	C	22	72
Taipei	C	27	81
Tangier	C	17	63
Tel Aviv	F	25	77
Tenerife	R	22	72
Tokyo	S	25	77
Toronto	R	2	36
Tunis	F	20	68
Valencia	F	15	59
Venice	S	12	54
Vienna	C	7	45
Warsaw	C	6	43
Washington	F	11	52
Zurich	C	7	45

Temperatures at midday yesterday C—Cloudy Dr—Drizzle F—Fair Fg—Fog H—Hail R—Rain S—Sunny Sl—Sleet Sn—Snow T—Thunder

THE LEX COLUMN

Banking on life in the Low Countries

The sight of a big, expansionist insurance company climbing into bed with an almost equally large, equally ambitious bank is starting to be a very familiar one in continental Europe. It is also becoming increasingly hard for the managements of the companies concerned to sound convincing about the long-term benefits. A case in point is yesterday's tie-up between Nationale Nederlanden and NMB PostBank, which will create an institution with a market value about the same size as Prudential's.

Some such arrangements, like Lloyds Bank's partial merger with Abbey Life in the UK, have obvious advantages, in terms of allowing the insurer's sales force to go to work immediately on the bank's customers. Some, like the cross-shareholdings in France between UAP and BNP, are clever tricks for boosting the bank's capital ratios. But NatNed is already financially very strong; and as for its merger partner, the 1989 union of NMB and Postbank had already created an amply-capitalised bank.

So if the merger makes sense as anything more than a just-mechanism to protect the two institutions from takeover, the two companies have got to show that it produces real oppportunities for new business growth. This is where it gets tricky. NatNed will presumably secure Postbank's branches as a distribution channel, but at the price of diluting high-quality life assurance earnings with lower quality, volatile credit business. As for NMB Postbank's shareholders, they find themselves exposed to minefields like NatNed's US and UK non-life insurance operations.

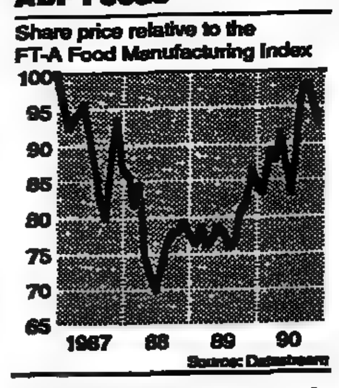
Small companies

It has never been fair to blame the Stock Exchange for the fact that small company shares are hard to trade. In large part, the drying up of liquidity is a simple cyclical matter. Big Bang, and the boom in new issues in 1987, produced an over-supply of small quoted companies: far too many for the investing public to cope with, especially in a full-blown bear market. So it would have been asking rather too much of the Exchange to expect yesterday's package of changes in trading rules to represent an all-embracing solution.

As far as they go, the changes make sense, particularly the requirement for issuing houses to offer at least 5 per cent of any new issue to two independent market-makers. It is obviously welcome that six leading market-makers are committing themselves to taking a more active role. One wonders, though, whether another solution lies with fund managers. If they want a more liquid market in small company shares, maybe they should try negotiating fixed retainers to encourage agency brokers to stay in the game.

ABF Foods

Share price relative to the FT-A Food Manufacturing Index



Source: Datastream

Buy-outs

When is a management buy-out not a leveraged buy-out? When the management has voting control of the equity, and is not simply hired by the banks. This is the criterion used by 3i, the bank-owned venture capital group. It has just funded a big study to debunk the popular myth that MBOs are simply a vehicle to make a few lucky managers incredibly rich. This view is still hard to swallow, but its findings go some way towards supporting the belief that breaking up big businesses into smaller pieces has been good for the UK economy. According to independent research undertaken for 3i, MBOs have generally led to higher profits, investment and employment. And whilst high interest rates are hurting several well publicised LBOs, 3i believes that in the remains of Polly Peck, British & Commonwealth et al are the makings of several future MBOs.

AB Foods

Mr Garry Weston continues to bide his time; perhaps he should throw caution to the wind. With more than £1bn in cash, he needs a favourable outcome to the British Sugar saga before lower UK interest rates start undermining investment income. ABF thinks it can win the sugar auction, but it would be foolish to under-estimate the European ambitions of Ferruzzi and others.

Berisford is scarcely viable without British Sugar, so its bankers will be pushing hard for a high sale price in order to cut their losses. ABF might be tempted to speed up the process by slapping a pre-emptive offer, say £850m, on the table; that would be risky, but yesterday's interim results show how badly it needs the earnings impetus such a large acquisition would bring.

The UK side, where operating profits fell 7 per cent, is still suffering from serious erosion in baking and milling; a resumption of the long-term decline in bread consumption has tightened competition and severely squeezed margins. ABF improved against the competition in biscuits, but it took an outstanding performance from its operations in Ireland to buoy up trading profits. Australia will suffer from currency depreciation in the second half, while there will probably be no final dividend from Berisford. Assuming full-year profits of £312m, the shares are on a prospective p/e of 8¼ and yield around 4 per cent. Barring an early sugar solution, they look fully valued.

US prime rate

Over the last year the US dollar's trade weighted index has fallen by a seventh, and now that it has dipped below DM1.50 and FFr5 it is moving into uncharted territory. The US authorities have little choice but to let the currency slide further, even if they are worried by the inflationary implications of its steady decline. Fears about the health of the banking system and the growing evidence of a US recession suggests that last week's easing by the Federal Reserve will not be the last, even if it means undermining the currency further by widening the 75 basis point gap between US and German short-term rates.

Against this background, the stability of the US banks' prime lending rate is somewhat surprising. It has stood at 10 per cent for 10 months, despite two successive Fed easings, and one has to go back to the 1960's to find a similar period of continuity. Obviously the banks are keen to rebuild their profit margins, and concern about the safety of some institutions is pinching their cost of funds. Nevertheless, if the banks do not respond soon by posting a single figure prime rate, then worries about the exacerbation of self-feeding US deflation are bound to intensify.

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INSIDE

Recession takes toll on Canadian Pacific

Deepening recession in North America has badly mauled Canadian Pacific, the Canadian industrial group, in the latest quarter. The collapse in profits stems mainly from the wholly-owned CP Forest Products, which has been hit hard both by sluggish markets for pulp and newsprint and a strike. Page 20

Farming discontent in E Europe

Farmers in eastern Europe are finding that lower labour costs compared with western markets are not the boon they had hoped for. While the Common Agricultural Policy remains in place, they will have to match EC subsidies to be competitive. But subsidies could not be funded by strapped government budgets or by consumers, who already spend much of their low incomes on food. Nicholas Denton reports. Also, beginning today, a four-day series on the state of US agriculture. Page 32

Belgian rescue for Sutcliffe

Sutcliffe Speakman, the UK specialist engineering group, has sold its environmental engineering division to the Brussels-based industrial supplies and services company, Groupe Fabricom. The sale of the division, which accounts for more than half the group turnover, is an attempt to reduce borrowings and comes a week after suspension of Sutcliffe's shares "pending clarification of the company's financial position". Page 25

Hard nut to crack

Administrators to Polly Peck will have to cope with more than just the company accounts if they land in Cyprus this week. The practicalities run much deeper, from dealing with nationalist to family sentiment. It is also difficult to assess how deeply the affair will bite into the economy. Richard Donkin looks at the effect on northern Cyprus of Polly Peck's troubles. Page 24

Nobby Clarke at the helm

John Elliott has resigned as non-executive chairman of Elders IXL, the Australian brewing conglomerate, and has been replaced by Nobby Clarke (left), the former chief executive of National Australia Bank. The move is seen as a further attempt to consolidate the growing confidence in the group which followed the announcement of plans for Asahi Breweries of Japan to take a 20 per cent stake in the Elders. Page 21

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				Chargeurs	813	+	34
Rises				Pollet	485	+	13.5
Brown Boveri	780	+	34	Sanofi	820	+	33
Douglas	850	+	13	Skis Rossignol	730	+	19
Kaufhof	565	+	11	**Falls**			
Mannheimer	810	+	20	Havas	529	−	12
Rosenthal	350	+	10	**TOKYO (Yen)**			
Wella	725	+	13	**Rises**			
NEW YORK ($)				Atsugi Nylon	1290	+	30
Rises				Honshu Paper	2190	+	130
BankAmerica	21⅞	+	1¼	Kayaba Ind	800	+	28
HomeFed	5⅞	+	⅞	Kyosan Elec	1410	+	100
Intel	35¼	+	1¼	Marubeni	690	+	10
Man. Hanover	18⅝	+	1	**Falls**			
Woolworth	27⅛	+	1⅛	Nippon Steel	437	−	13
Falls							
Neiman Marcus	12¾	−	1⅞				
PARIS (FFr)							
Rises							
BIC	500	+	24				

LONDON (Pence)				Reed Int	354	+	14
Rises				Rexham	478	+	10
Amstrad	60	+	5	Reuters	626	+	38
Betterware	134	+	5	Siebe	281	+	8
Brent Walker	59	+	6	**Falls**			
Cable & Wire	416	+	14	Abbeycrest	98	−	39
Crosby (J)	80	+	23	Davy	78	−	9
Erskine House	39	+	4	Eurocopy	184	−	12
Granada	166	+	9	Ratners	191	−	8
Land Secs	510	+	7	Renold	57	−	28
Lilley	49	+	4	Rothmans	699	−	13
News Int	125	+	24				
Pearson	621	+	12				

Andersen hit by dispute in Spain

By Peter Bruce in Madrid and David Waller in London

THE FLOURISHING Spanish auditing and consulting divisions of Arthur Andersen, one of the world largest accounting firms, are labouring under an embarrassing public siege accompanied by charges that the consulting group is being unfairly milked of its profits. The dispute could result in one of the firm's important Spanish partnerships being closed down.

Mr Luis Recio, the former chief executive of Andersen Consulting, which was hived off from the auditing firm last year, says Arthur Andersen International, the firm's Swiss holding company, is taking 20 per cent of the consulting group's turnover as the price of supplying it with customised technology and ideas. He says this amounts to $30m a year which is "well beyond what they put in".

Mr Recio resigned from the company earlier this year after, in his words, being isolated following attempts to force Arthur Andersen International to cut its fee to the Spanish consultancy.

He later launched an unsuccessful takeover bid for the consulting group and last month asked the courts to dissolve one of the firm's Spanish partnerships, Arthur Anderson y Cia Sociedad Regular Colectiva.

This, say partners at Andersen Consulting, is the old joint partnership in Spain, which now services both auditing and consulting with computer and technological services. The officials could not say what its assets were.

The court is due to rule in about two weeks' time. Andersen Consulting partners accuse Mr Recio of trying to force them to pay him the $25m he claims his and two partners' share in Andersen Consulting is now worth. "He is trying to sow confusion in the market," one said.

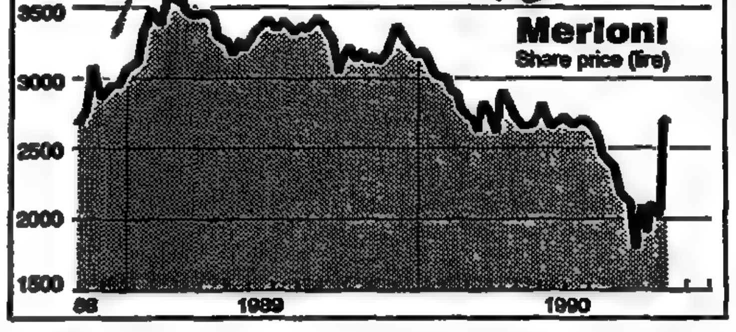
This public dispute highlights the difficulties inherent in managing an international accounting and consulting firm, where the parts of the business grow at very different rates, require different levels of investment, and vary in terms of profitability. Pressures within Andersen led to the splitting of the firm into two in November 1988.

Andersen recently announced European revenues up 39 per cent to $1.36bn in the year to the end of the August. Mr Larry Weinbach, the firm's managing partner, said a key factor behind the growth was the decision to split the firm into two.

Mr Vernon Ellis, head of Andersen Consulting in Europe, said yesterday that the problem was confined to Spain and had no wider ramifications. "In fact, I am greatly encouraged that the great majority of the Spanish consulting partners resisted the temptation to make a capital gain by joining Recio and decided to stay with Andersen," he said.

Merloni charts a course from purgatory to profit

John Wyles on the Italian group's restructuring



Vittorio Merloni: continually sketching explanatory graphs

Mr Vittorio Merloni, the affable president of Merloni Elettrodomestici, the largest Italian-owned manufacturer of white goods, is disarmingly frank: "These have been two years of purgatory."

Views may differ on how bad purgatory can be, but an indigestible acquisition, a bruising slide in profits and a marked worsening of just about every other financial ratio in just two years would certainly be regarded as scorching by most top managers.

There are few manufacturing activities in Europe which are more competitive than the household appliances sector, marked as it is by overcapacity in a mature market. Consolidation has been slow but steady, and when it is completed Mr Merloni is determined that his company, holding fourth place in Europe with a 10 per cent market share, should emerge as a leading player.

Currently, his company, which is quoted on the Milan stock exchange, is outsold by Electrolux (20.5 per cent of the market), Whirlpool (11.5 per cent) and Bosch-Siemens (11 per cent).

The acquisition at the beginning of 1988 of Indesit was a cornerstone of Mr Merloni's strategy. The company, essentially a manufacturer of low-price appliances, had been rescued from closure by the Italian government, whose provision of both a special administrator and financial credits was followed by a restructuring which gave reasonable optimism that it could definitely be brought back from the dead.

Indesit was followed into the Merloni camp by another loss-making facility, Fabrica Portugal, and then in 1989 by Scholtes, one of the leading French marques in the market for fitted kitchen equipment. At the end of this process, Merloni has three brands – Indesit, Ariston and Scholtes, for the low, medium and high-priced segments – and a strategy which its president cheerfully admits is borrowed from Sweden's Electrolux.

Continually sketching explanatory graphs on a notepad, Mr Merloni explains that no single brand has more than a 20 per cent market share – the average is below 15 per cent – in any of the geographic zones in Europe in which white goods sales are monitored by the Nielsen Organisation, despite the fact that consumer surveys will show a far higher readiness to purchase a brand. The strategic response for market penetration, therefore, has to be the accumulation of brands serving the different price segments of the market.

But Mr Merloni has no immediate intention of stepping out again on the acquisition trail for a couple of years. "These must be years of consolidation," he says with an eye particularly on the company's finances. In 1987, before Indesit, Merloni was returning consolidated operating profits of 6 per cent of sales, had a net indebtedness of L119bn ($105.5m) and net consolidated capital of L125bn. Net indebtedness last year was L260bn against a net capital of L147.1bn after post-tax profits of just L100m.

The company is targetting a one-to-one debt equity ratio by the end of 1991 and a return to a 6 per cent ratio of operating profits to turnover by 1992. Some improvement in the financial ratios has been registered in the first half of this year, with a L15bn increase in net capital and a restructuring which has established the company's debt as virtually all medium and long-term, reducing short-term bank debt by more than L25bn.

Confidence in a return to sunnier times is based on the conviction of a pay-off from a L170bn investment programme over the past four years and the belief that Indesit has not only now been digested, but that it is on a course which will strengthen its market position.

Costs are being rapidly reduced through automation and a L50bn reduction in stocks this year; product reliability and performance are being improved; and four plants will be closed in France and Portugal, together with a reduction in total employment in Europe by 1,500. After acquiring Indesit, Merloni had a production capacity of 4m washing machines, dishwashers and cookers. By the end of 1991 this will fall to 3.5m.

Mr Merloni admits that the difficulties of digesting Indesit were greater than he expected. At the beginning it was decided to maintain two management structures until it was realised that they were incompatible. This was, it seemed, mainly because Indesit was unable to develop the more sophisticated product range needed for an essentially replacement market.

At the beginning of this month, the two companies were formally merged, although in most countries separate sales forces for the Ariston and Indesit marques are being retained.

While struggling to sort out his greatly enlarged company, Mr Merloni was also hit by other blows. Despite assurances to the contrary, the Portuguese government lifted quotas on exports of domestic appliances shortly after the purchase of Fabrica, and then the entire European market went soft, led by a 7 per cent fall last year in the UK, Merloni's most important market after Italy.

At the same time, the lira strengthened by some 14 per cent against sterling.

Needless to say, the company is among those giving the warmest possible welcome to Britain's entry into the exchange-rate mechanism of the European Monetary System, although Mr Merloni believes sterling's central rate against the D-Mark is "a bit high" even if it is satisfactory against the lira.

He is not expecting much or any growth in the west European market this year, although overall demand has been given some tone by unexpected orders of 600,000 to 700,000 units from eastern Europe. "Eastern Europe remains a special market. We can have no idea what demand there will be next year," he says.

He is opening showrooms in various east European capitals to complement the one in Moscow which opened 10 years ago. His main business in the Soviet Union is a $400m contract to build a domestic appliance manufacturing plant, which is being paid for by Soviet steel exports to hard-currency countries.

Adsteam announces plans to cut debt

By Kevin Brown in Canberra

THE Adsteam group of companies controlled by Mr John Spalvins is to be restructured to eliminate cross-shareholdings and reduce debt by at least A$3bn (US$2.3bn), Mr Spalvins announced yesterday.

Mr Spalvins also said that he and Mr Michael Kent, the Adsteam finance director, would resign from the boards of two of the six group companies as soon as the restructuring was complete. Mr Spalvins will remain in control of the other four companies.

The announcement follows weeks of pressure to sell group shares on the Australian Stock Exchange, triggered by a series of critical analysts' reports focusing on Adsteam's debt burden of more than A$6.2bn.

Adelaide Steamship, the main group company, fell to a low of 45 cents on Friday, compared with a peak of A$10.50 last year. Adelaide Steamship recovered yesterday to 78 cents, up 18 cents on the day. David Jones, another key group company, closed 10 cents higher at A$2.60.

Mr Spalvins said the group's bankers had "in principle" backed for an 18-month restructuring programme aimed at Adsteam's financial and capital base and avoiding a fire sale of assets.

The restructuring programme will include the sale of non-core assets, proposals to raise new equity and the elimination of the complex cross-shareholding arrangements which analysts say make it difficult to judge the true value of the group.

Adsteam will focus on its extensive retailing activities, including the David Jones department store, John Martins and the Woolworths supermarket chain. Most of the manufacturing interests will be sold.

Mr Spalvins will remain group chief executive, but will "focus his attention" on Adelaide Steamship and David Jones. Mr Kent will supervise the restructuring programme and two outside directors will be appointed to the Adelaide Steamship board.

Mr Spalvins said all Adsteam companies were trading satisfactorily, but gave no details. The eventual profitability of the group companies would depend on "the size, scale and impact of the debt reduction and restructuring programme," he said.

Analysts said the announcement would reassure the markets that Adsteam had accepted the need to restructure quickly. However, some said the lack of details meant some uncertainty would continue.

Associated British Foods rises 17% to £132m in first half

By Clay Harris, Consumer Industries Editor, in London

ASSOCIATED British Foods, the cash-rich UK milling and baking group, made more money from investments than from trading in the first half of its financial year.

ABF, one of Britain's two largest bakers and manufacturer of Ryvita and Burtons biscuits and packer of Twinings tea, yesterday reported investment income of £67.5m ($131m) in the six months to September 29.

This enabled pre-tax profits to advance 17 per cent to £132.3m despite a 7 per cent decline in the trading surplus in ABF's core UK food market.

The recent 1 percentage point decline in UK interest rates augurs badly for the future return on ABF's cash pile of just over £1.1bn. However, it said much of the money was invested in fixed-rate certificates of deposit, so the full impact of lower interest rates would not be felt until next year.

ABF confirmed yesterday that it intended to write down the value of its 23 per cent stake in Berisford International at the end of the financial year. Berisford is the troubled parent company of British Sugar, the beet processor which dominates the UK sugar market.

At yesterday's price, this would require an extraordinary provision of more than £100m.

ABF hopes Berisford's price recovers before then. Although it has been cleared to bid for Berisford without a referral to the Monopolies and Mergers Commission, ABF plans to wait until the group opens its auction of British Sugar.

This is unlikely to happen before the Monopolies Commission pronounces in January on the rival ambitions of Tate & Lyle, the cane sugar refiner. Tate would have a virtual UK monopoly if it was allowed to buy British Sugar.

The rise in pre-tax profits from £111.3m was achieved on turnover ahead 8 per cent to £1.37bn (£1.27bn). Earnings per share rose to 19.2p (16.2p), and the first interim dividend is increased to 16.5p (14.7p).

ABF blamed the slide in UK trading profits to £36.1m on increased competition and a continuing decline in bread consumption, worsened by the hot summer.

Trading profits from operations outside the UK rose 22 per cent to £30.8m.

Lex, Page 18

BA in talks on new German airline

By Paul Betts, Aerospace Correspondent, in London

BRITISH Airways is negotiating with German business partners on the creation of a new Berlin-based airline in which BA would own a 49 per cent minority stake.

The UK airline is also threatening to withdraw from its joint venture with Sabena of Belgium if the European Commission insists it gives up some of its London to Brussels services.

BA has been seeking to develop European hubs in Brussels through the Sabena World Airways joint venture and in Berlin through an association with Interflug, the former East German airline. But BA's European hub strategy has so far been frustrated in Brussels by the European Commission and in Germany by Lufthansa, the German national carrier competing for Interflug.

The decision to consider setting up a new German airline, 51 per cent controlled by German business interests, reflects BA's difficulties in negotiating the acquisition of a large minority equity stake in Interflug.

Although there is still the possibility of a BA-Interflug deal, its chances have been receding as Lufthansa continues to put pressure on Bonn to take over the former East German carrier.

This has prompted BA to draw up an alternative strategy involving a new joint airline venture, which would absorb its internal German services. As a German company, it would also be free to apply for international routes out of the country.

BA's plan to set up another hub in Brussels through the Sabena venture appears increasingly threatened by the delay of the European Commission to approve the deal.

BA has agreed to invest £37m ($72.15m) in a 20 per cent stake in the Sabena venture. However, BA has warned that it will consider pulling out of the deal if the EC forces it to relinquish some of its London to Brussels services.

Those routes are "not negotiable", says BA, which has been infuriated by a campaign against the Sabena deal mounted by Mr Michael Bishop, the chairman of British Midland Airways (BMA), the second-tier UK airline.

BMA has tried to win more European services from London's Heathrow airport and has argued that the Sabena deal would undermine competition. But BA says BMA simply wants to take over some of its assets through substitution and not competition.

There is also a growing suspicion that SAS, the Scandinavian airline which owns 25 per cent of BMA, may be lurking in the wings in the event the BA-Sabena deal collapses. SAS unsuccessfully tried to buy a minority stake in Sabena last year.

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INTERNATIONAL COMPANIES AND FINANCE

Continental Pirelli merger possibility

By Andrew Fisher in Frankfurt

CONTINENTAL, the German tyre manufacturer, yesterday held out the possibility of talks on a merger with Pirelli, but only if the Italian company agreed to a moratorium on the use of any information obtained in the negotiations if these collapsed.

It made clear that proper talks on a combination of the two companies' tyre activities would only begin if Pirelli agreed to these conditions.

So far, it said, Pirelli had declined to submit to a moratorium. Continental did not set out the conditions which a moratorium would include, or say how long it should last.

It is believed, however, that the German company wants Pirelli to agree not to buy or sell any Continental shares during the standstill and not to call a shareholders' meeting to try to use its voting support to gain control.

The German company has already rejected the terms of an initial takeover offer from Pirelli, which has said it is backed by holders of more than 50 per cent of Continental's shares. This includes a stake of 5 per cent held by Pirelli itself.

Continental said a special committee of its supervisory board had decided a moratorium was necessary because talks over synergies and a possible merger would mean that Pirelli, a competitor and shareholder, would obtain confidential information.

Thus it agreed with the management board that talks could only start if possible damage to Continental and its other shareholders in the case of their collapse was removed by a moratorium.

This would prevent Pirelli from using information to effect a takeover against Continental's interests or to indulge in insider trading to the disadvantage of other shareholders.

Pirelli said last night that it was studying Continental's proposals.

Savage Group investors seek to oust chairman

By Andrew Hill in London

INSTITUTIONAL shareholders in Savage Group, a USM-quoted hardware supplier, are backing an attempt to oust the group's chairman and two executive directors.

Mr Brian Cox, who is heading the attempted management coup, claims to have the support of 48 per cent of Savage's shareholders, including most of the main institutional investors.

Mr Cox – chairman of the motor components group Camford Engineering until it fell to a hostile bid earlier this year – has achieved a special shareholder meeting at which a new slate of six directors, including three former Savage employees, will be put forward for election.

Savage, which grew rapidly through acquisitions in the UK and the Continent between 1986 and 1988, has been hit by the decline in the do-it-yourself market. But Mr Cox claims that the market has now stabilised.

"What we have done is to go to institutions which are discontented with their investment and persuaded them that we would put the value back in the company fastest," he explained yesterday.

Savage's profits rose only marginally to £7.3m in 1988-89, and a month ago the group announced that interest charges and redundancy costs had helped cut pre-tax profits to just £51,000 last year. The share price has dived from a peak of more than 320p before the October 1987 stock market crash to around yesterday's closing price of 32p, up 2p.

Mr Nick Savage, chairman, owns just under 13 per cent of the shares and other directors account for a further 7 per cent.

Mr Cox, who would be chairman of the reconstituted Savage board, claims his team's proposals are backed by Norwich Union – Savage's largest institutional investor with a 9.6 per cent stake – Aetna Unit Trusts, Scottish Mutual, Equitable Life, Abbey Life and Scottish Amicable.

The special meeting will vote on resolutions to remove Mr Savage, Mr David Brown, chief executive, and Mr David Stephens, finance director.

Mr Stephens said last night: "We are surprised [by the move] because shareholders have not contacted the company with their concerns."

New twist in Skoda stake battle

By William Dawkins in Paris

RENAULT and Volvo yesterday were back in the running in the competition against Volkswagen of Germany for a large minority stake in Skoda, the Czechoslovak carmaker.

The odds in favour of the Renault-Volvo alliance were improved by a statement from the Czechoslovak Engineering Ministry yesterday, which said that the government and Skoda were still open-minded on which bid to accept.

This is contrary to discouraging comments about the Franco-Swedish approach last week from senior Czechoslovak figures, including Mr Marian Calfa, the prime minister.

It adds a fresh twist to a battle which is crucial to both camps' attempts to get a foothold in eastern Europe's most advanced car industry at a time when their sales in the west are starting to flag.

"Renault still has a chance. Our chances have never been so good as they are now," maintained Mr Jean-Marc Lepeu, international affairs director for the state-owned group, who revealed fresh details of the proposal.

The Renault-Volvo offer envisages an investment of FFr13bn-FFr14bn ($2.77bn) between 1991 and 1998. Of the total, they would contribute FFr1.4bn in cash in exchange for which the pair would get 40 per cent of Skoda's equity. The rest would come from borrowings and Skoda's own cash flow and include "several hundred millions francs" for training, Mr Lepeu said.

Volkswagen is offering DM7bn (FFr23bn) over five or six years.

Mr Lepeu decline to speculate on why the Prague authorities had made such conflicting signals. He expected a decision in December, two months later than Skoda had planned originally.

Mr Lepeu said the aim would be to lift Skoda's annual output from the present 190,000 cars to 250,000 by 1993 and 400,000 by the end of the decade.

During this time, he expected Skoda to lose a large part of the Czechoslovak market to western competition, as a result of which it would need to boost exports, so that a third of sales would go to other central European countries and another third to the west. Skoda's domestic market share would decline from the present top estimate of 80 per cent to around 35 per cent.

Initially, Skoda would continue with its current Favorit range, to be joined in 1993 by the Renault 19, which would be joined by a bottom range Renault car still on the drawing board.

By 1998, the plan is to launch a replacement for the Skoda, probably based on a Renault-Volvo joint platform, Mr Lepeu said.

■ Citroën, the privately-owned French carmaker, is nearing the final stage of an accord with China to make 150,000 vehciles a year in Wuhan.

The proposal is to make a 1.5 litre Citroën, a new model to be launched in Europe next March. Financing of the FFr4.3bn investment recquired in China is the final point to be settled, Citroën officials said.

Henkel sales rise 7% to DM3.7bn in nine months

HENKEL, the German chemicals group best known for its range of washing powders, said sales for the first nine months of 1990 rose 7 per cent to DM3.71bn (US$2.47bn) compared with the same period last year, Reuter reports from Duesseldorf.

The company gave no profit figures. In the first three quarters exports dropped 2 per cent to DM1.34bn from year-ago levels. Chemical product sales eased 1 per cent to DM1.07bn.

Sales of personal care products jumped 23 per cent to DM408m. Sales of hygiene products rose 17 per cent to DM372m and sales of glues and technical products climbed 12 per cent to DM561m. Detergent sales rose 3 per cent to DM1.01bn.

In August Henkel said it expected profits to continue to grow in the second half of this year, after six months pre-tax profit expanded slightly to DM363m. Group profit for 1989 as a whole totalled DM404m.

Scott Paper pays $130m for 51% of joint venture

SCOTT Paper, the world's largest producer of sanitary tissue, has paid $130m for a 51 per cent stake in a joint venture with Feldmühle, the West German paper group, Reuter reports. The new company, which has still to be named, will take over Feldmühle's tissue paper division.

Scott said it would pay another $130m plus interest after three years, when it has the option to take over the remaining 49 per cent of the new company.

Feldmühle, a unit of Feldmühle Nobel, first announced the planned venture in June. Feldmühle's tissue paper division had turnover of $300m in 1989. Scott has annual European sales of around $1.2bn.

Winterthur sees lower growth

WINTERTHUR, the Swiss insurance group, expects lower premium growth in 1990 in all areas except for domestic life insurance business, Reuter reports.

Mr Peter Spaelti, chairman, says: "Given the Swiss franc's present strength, above all against the dollar, the premium growth should reach almost 5 per cent in franc terms."

SocGen shake-up

SOCIETE GENERALE, the French bank, is to concentrate its UK corporate finance and M&A within its London-based Société Générale Merchant Bank. This will entail the transfer of activities from its securities arm, Société Générale Strauss Turnbull Securities.

ASKO holds talks to buy Co op stake

GERMAN retail chain ASKO is negotiating to buy a stake in retailer Co op from DG Bank, Reuter reports from Frankfurt.

"There are negotiations between ASKO and DG Bank (about a Co op stake)", ASKO said, confirming German newspaper reports. The company gave no further details.

DG Bank said last week it was talking with several interested parties about the sale of its 67.5 per cent stake in Co op. Banking industry sources have said German retail chain Edeka was also interested in acquiring Co op. DG Bank has said all bidders were interested in DG's full stake. It expected no objections from the German cartel office.

Hübscher to join Treuhand

By Andrew Fisher in Frankfurt

MR WILFRIED Hübscher, who recently resigned as general manager of the Berlin Stock Exchange after less than a year in the post, is joining the Treuhand, the trustee agency responsible for privatising former East German companies.

He will head the Treuhand department dealing with banks which want to take stakes for themselves or their investment clients in east German companies being privatised.

"I hope to have a lot to do with British banks, since they have plenty of experience in privatisations," he said. Japanese banks had also expressed interest in east German operations.

The Treuhand, based in east Berlin, is charged with the sale, financial recovery, or closure of around 8,000 east German companies.

Mr Hübscher, 40, resigned from the Berlin Stock Exchange over differences of opinion on policy and administration. He wanted to develop the exchange – one of the smaller of Germany's eight stock markets – in line with the opening up of eastern Europe and the financing needs and investment challenges now facing the eastern states of a united Germany.

He will join the Treuhand next month, having agreed with the Stock Exchange that he could leave before his contract expired next March 31. Mr Hübscher has previously worked at the Bundesbank and as an official of the Federation of German Stock Exchanges.

Saft suspends talks over Nife

SAFT, the batteries subsidiary of France's Compagnie Générale d'Electricité (CGE), has suspended its negotiations with Cardo, the Swedish holding company linked to the Volvo group, over the purchase of its Nife batteries division, writes George Graham.

Saft officials said the talks had broken off principally over the question of price, but could be reopened. They said a link-up with Nife still appeared to make industrial sense.

The deal would have created a substantial batteries group, linking Saft's alkaline battery expertise with Nife's speciality of nickel cadmium cells.

Saft is the world's largest supplier of alkaline batteries. Saft made FFr115m ($22.8m) net profit last year on turnover of FFr3.1bn.

Auditors settle with failed Alberta banks' liquidators

By Bernard Simon in Toronto

TWO OF Canada's leading auditing firms have made substantial contributions towards a C$125m (US$107.3m) settlement with the liquidators of two Alberta banks which collapsed in 1985.

In agreeing to the settlement, the two firms, Ernst & Young International and Peat Marwick Thorne, admitted no liability or fault for their role in the failure of Canadian Commercial Bank of Edmonton and Calgary-based Northland Bank.

The firms and a group of former CCB senior officers and directors said they were settling legal claims brought by the liquidators "given the uncertainty of the final result, the prospect of substantial delay and the enormous costs and other burdens of litigation".

Even before the financial settlement was announced, the Alberta banks affair had spawned a good deal of soul-searching in the Canadian auditing profession.

Questions have been raised about the profession's system of self-discipline and, in particular, about the negotiations which are standard practice between banks and their auditors in the compilation of financial statements.

Ernst & Young and Peat Marwick have agreed to pay C$43.5m (US$37.3m) between them in settlement of claims relating to Northland Bank. In the case of CCB, the settlement is C$82.5m (US$70.8m), split between the auditors, officers and directors. A Peat Marwick official yesterday declined to provide a further breakdown of the payments. Both firms are understood to carry liability insurance.

The liquidators, who claimed a total of C$544m (US$466.9m), alleged the auditing firms, officers and directors of the two banks had failed in their duties. Similar claims were brought by the Canadian government and the Canadian Deposit Insurance Corp.

At the beginning of 1989, eight individuals of the two firms agreed not to act as senior partners on the audit of deposit-taking institutions until December 1990.

The auditors were strongly criticised by a 1986 judicial report into the collapse of the two banks. The report said the auditors failed to determine whether the banks' financial statements fairly reflected the true condition of the two institutions, which were heavily exposed to the then-depressed western energy and real-estate markets.

The report singled out the auditors' willingness to accept the banks' definition of "workout" loans, on which they continued to accrue interest although none was being paid.

Regulatory supervision of Canadian bank auditors has been significantly tightened since the report. The Canadian Institute of Chartered Accountants is working on new accounting standards for banks.

The CICA said in a statement that the Alberta bank settlements "remind us how important it is that auditing and accounting practices serve the needs of the Canadian and international business environment".

General Cinema cancels $240m offer

By Nikki Tait in New York

GENERAL Cinema, whose interests range from speciality retailing to theatre circuits, has withdrawn its $240m tender offer for the outstanding shares in Neiman-Marcus, the US department store group, less than one week after the deal was announced.

General Cinema, which recently sold a sizeable share stake in the UK's Cadbury-Schweppes and is sitting on cash balances of over $1.5bn, said its decision followed a withdrawn recommendation by the independent directors of Neiman-Marcus.

The cinema group has three board seats but is outnumbered by four "independent directors" who formed the "special review committee".

It already owns 16.8m of the 33.2m Neiman-Marcus shares outstanding and has an additional tranche of convertible preferred stock. If conversion took place, General Cinema's stake in the retailer would rise to around 60 per cent.

Shares in Neiman-Marcus, which rose by around $3⅞ to just above the $14.40 offer price when the deal was announced, tumbled by $2⅞ to $12¼ in early New York trading yesterday.

Since the tender was announced, objections had been raised by some minority shareholders, who regarded it as ungenerous and believed there was scope for bargaining up the price, although not all analysts agreed.

General Cinema already faced the usual shareholder class action suits, while the Mario Gabelli group, the second largest external holder of Neiman-Marcus stock, had suggested that the auction process was just starting.

Consummation of the offer also depended on at least 50 per cent of the shares not owned by General Cinema being tendered.

Yesterday, Weil Gotshal & Manges, lawyers for the independent directors, refused to comment on the reasons for reversing the decision. It declined to discuss whether there had been shareholder pressure and whether any new information had come to light.

CP earnings tumble by two-thirds

By Robert Gibbens in Montreal

THE DEEPENING North American recession took a severe toll on Canadian Pacific in the third quarter and first nine months. The Canadian group warned that fourth-quarter results would also be weak despite a rebound at its energy subsidiary.

CP's third-quarter earnings were C$74.3m (US$64m), or 23 cents a share, down two-thirds from C$213.4m (67 cents) a year earlier on revenues which were unchanged at C$2.6bn.

The main problem was a collapse in profits from wholly-owned CP Forest Products because of sluggish markets for pulp and newsprint and a strike. CP Rail declined because of the recession's heavy impact on commodity movements and sluggish grain exports.

Shipping suffered from the erosion of rates, while trucks, hotels, telecommunications, manufacturing, property and coal operations had mixed results.

The contribution from Laidlaw, the big North American waste management affiliate, was stable.

CP's nine-month earnings were C$252.1m, or 79 cents a share, down from C$554.9m (C$1.75). The year-earlier period included 25 cents-a-share in special gains, mainly from the sale of the bulk shipping business. Revenues were C$7.8bn against C$7.9bn.

CP Rail's performance benefited from a strong first half, but most other subsidiaries, except PanCanadian Petroleum, showed poor results.

CP said forest products markets would not turn around in the near term, and the North American recession would continue to reduce profit margins throughout the company's operations. The one bright spot: PanCanadian with higher oil prices.

Grumman net income up

By Martin Dickson in New York

GRUMMAN, the US defence aerospace contractor, yesterday reported a 51 per cent third-quarter rise in net income, helped by higher sales and profits from the F-14D naval fighter aircraft.

The company reported net income of $25.6m, or 75 cents a share, against $16.9m (48 cents) in the corresponding period last year. Sales were up 11 per cent at $1.01bn. The figures were in line with market expectations.

Grumman, in common with other defence contractors, faces a much more difficult climate as Pentagon budgets are cut, and the company has indicated that sales next year are likely to be lower.

Mr Renso Caporali, chairman, said Grumman's cost-cutting programme was working, with the quarterly profit margin rising from 5.2 per cent to 6.1 per cent. The company has also reduced its heavy debt burden by more than $60m this year.

Long-term debt stood at $820.2m at the end of September, compared with $865.7m a year earlier, while interest costs were down $800,000 at $24.3m.

For the first nine months of the year net income was $68.9m, or $2 a share, on sales of $2.92bn. In the same period of last year net income was $52.5m ($1.50) on sales of $2.69bn.

Citicorp debt ratings lower

STANDARD & Poor's, the US credit rating agency, said it had lowered its ratings on the senior debt of Citicorp, and units Citicorp Overseas Finance, Citicorp Overseas Finance and Citicorp Finance Plc to single-A-plus from double-A-minus, AP-DJ reports.

Also lowered are the subordinated debt issues of Citicorp, Citicorp Overseas Finance Corp, Citicorp Person-to-Person and Citicorp Banking Corp, to single-A from single-A-plus, and preferred stock ratings of Citicorp to single-A-minus from single-A, S&P said.

The ratings on certificates of deposit, deposit note programmes and letter of credit backed issues of Citibank, Citibank (South Dakota), Citibank (New York State), Citibank (Arizona) and Citibank (Nevada) are lowered to Double-A-Minus/A1-Plus from Double-A/A1-Plus.

Finally, the commercial paper ratings of Citicorp and BLC Corp are lowered to A1 from A1-Plus, S&P said.

About $22bn of debt and preferred stock is affected.

Viasa reports loss of $25m

By Joseph Mann in Caracas

VIASA, the Venezuelan government's international airline, and a prime candidate for privatisation, lost US$25.8m during the first six months of this year.

Mr Eduardo Quintero, the company's president, said that while gross income grew by 44 per cent during the period, there had been an 82 per cent rise in operating costs. Also, Viasa this year had not received the large government export incentives that previously bolstered its income.

The airline, which flies to the US, Europe, Latin-America and the Caribbean, has had a chequered history in terms of profits and quality of service.

Mr Quintero, a respected manager from the private sector, took over earlier this year. The government hopes he will be able to sell a minority share to a large international airline.

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State pumps NZ$620m into BNZ

By Terry Hall in Wellington

SWEEPING measures to restore Bank of New Zealand (BNZ) to economic health were unveiled yesterday after it revealed NZ$2.83bn (US$1.72bn) of doubtful or underperforming loans.

The New Zealand government will contribute NZ$620m to a capital restructuring which includes the formation of a separate company to hold the bank's NZ$2.83bn underperforming loans, Mr Lindsay Pyne, managing director, said.

"This initiative, which involves the formation of a new company, will deal with the legacy of the poor lending practices of the past," he told a news conference.

BNZ, which before the deal was 51 per cent owned by the New Zealand government, 30.6 per cent by Fay, Richwhite, the New Zealand merchant bank, and the rest by the public, greeted the rescue package with relief.

The plan aims to improve BNZ's trading position and lead to an early resumption in profits after the current year's predicted losses of up to NZ$85m after extraordinary items, and a missed interim dividend.

Yesterday, BNZ posted half-year trading profits of NZ$55m up from NZ$51m a year ago and forecast full-year trading profits of between NZ$115m and NZ$130m.

The doubtful and underperforming loans were swollen by huge potential losses on lending in Australia – resulting from the deteriorating economy and high interest rates there – which have only recently come to light.

BNZ feels that with some leading Australian banks facing serious difficulties due to lax lending up to last year, and with BNZ's balance sheet problems brought into the open and addressed, it will now be able to battle vigorously for increased market share.

Mr Pyne said BNZ's doubtful loans include some which are currently earning interest but could become non-performing if the Australian economy were to deteriorate further. The list consists of underperforming loans of NZ$2.28bn plus performing loans and other exposures of NZ$550m.

The bank expects specific debt provisions of NZ$1.75bn, of which NZ$950m was recognised by the bank at March 31.

The company set up to hold the NZ$2.83bn doubtful debts - as yet unnamed – will be 81 per cent controlled by the government and 19 per cent by Fay, Richwhite. Small shareholders will not be asked to contribute because of the weak state of the market.

It will be funded by the government buying NZ$420m in preference shares and Fay, Richwhite contributing NZ$50m in ordinary shares.

It stands to be a good commercial deal for the government, which will receive 15 per cent per annum on its investment. This will come from BNZ surrendering its accumulated tax losses. In effect, the government will gain tax from the bank at a high rate, which it would not have received for years. Fay, Richwhite is to be paid a floating interest rate of around 14 per cent.

Fay, Richwhite's shareholding in BNZ will drop because of the deal to 26.8 per cent, while that of the government will rise to 62.9 per cent of the ordinary shares, or 58.2 per cent of the voting shares.

It is believed funding pressures limited Fay, Richwhite's involvement to NZ$100m under a complicated subsidiary deal whereby it will sell 85.7m of its ordinary shares to the government at 70 cents each.Mr Pyne said the deal will facilitate BNZ's sale, as

It can now be sold without the new company carrying the doubtful debts.

Prime Minister Jim Bolger said yesterday that BNZ's problems made him more disposed to its sale, but this was not an appropriate time for a sell-off.

Ms Ruth Richardson, finance minister, said the government's emergency action in injecting more capital meant that New Zealand's forecast NZ$89m budget surplus had been revised to a NZ$1bn deficit.

Mr Pyne said last night that developments in Australia were "really damaging" the bank's capital base, as 80 per cent of the bad loans were stemming from there.

"This deal will make the bank more profitable by the effect of cancelling our non performing debt." He said it put pressure on BNZ to get the utmost revenue out of its poor quality loans.

"We couldn't have gone on without this restructuring.

"The BNZ is finally in a position to go forward and play its part in the New Zealand economy," he said.

Domestic sales prop Nissan Motor

By Robert Thomson in Tokyo

NISSAN Motor yesterday reported a 5.4 per cent increase to Y93.1bn ($722m) in pre-tax profit for the first half to end-September as strong domestic demand compensated for sluggish foreign sales.

Total sales for Japan's second largest automaker rose 7 per cent to Y2,050bn, but exports were down from 516,459 units in the corresponding period last year to 462,979 units, while foreign production of vehicles fell 3.8 per cent to 308,713 units.

The company reported an 8.4 per cent increase in domestic sales to 717,915 units, the seventh consecutive period of increase, while domestic vehicle production was up 1.1 per cent to 1.19m units.

Mr Atsushi Muramatsu, Nissan's executive vice-president and chief financial officer, said the improved result in the first half "directly reflects" the robust domestic market, though he expressed concern about the economic climate in the second half.

"Looking ahead, we expect that the situation in the Persian Gulf, unfavourable exchange rates and rising interest rates will contribute to a more difficult operating environment in the second half," Mr Muramatsu said.

For the full year to end March, the company forecasts sales to increase by 2.4 per cent to Y4,100bn, and pre-tax profit to total Y180bn, down from last year's Y184bn and down from the previously-expected Y190bn.

Good first half at Hino Motors

By Robert Thomson

HINO Motors, the Japanese truck maker, reported a 25.7 increase in pre-tax profit to Y13bn ($10m) in the first half to the end of September, as exports to south-east Asia rose sharply during the period.

Sales increased by 11.2 per cent to Y321.2bn, with marginal growth in a crowded domestic market, but with a 40.8 per cent rise in exports, mainly to south-east Asian countries.

For the full year to end-March, the company expects an 8.3 per cent increase in sales to Y650bn and a pre-tax profit of Y22bn, an 11.7 per cent increase.

Higher depreciation charges, an increase in research and development spending, and higher expenses generally are blamed for the predicted slower profit growth in the second half.

Toray profit rises to mid-term record

By Emiko Terazono

TORAY, the top Japanese maker of synthetic fibres, yesterday posted a 4.1 per cent increase in pre-tax profit to a record Y28.4bn ($220m) for the first half of the business year.

Reporting unconsolidated results for the six months to the end of September, Toray said sales rose 6.5 per cent to Y290.4bn. A steady 6.3 per cent growth in sales of fibres and textiles supported by increased sales of new types of polyester and synthetic suede contributed to the rise.

Net profits were 4.7 per cent higher from the corresponding period last year at Y14bn.

The company estimates sales will grow 6.5 per cent to Y585bn for the year as a whole, but forecasts a decline in pre-tax profit because of increased costs, especially labour and petrochemical material costs, in the coming months.

Clarke replaces Elliott as Elders chairman

By Kevin Brown in Canberra

ELDERS IXL, the Australian brewing conglomerate, yesterday announced the resignation of Mr John Elliott as non-executive chairman and his replacement by Mr Nobby Clarke, the former chief executive of National Australia Bank.

Mr Elliott, who was replaced as Elders' chief executive earlier this year by Mr Peter Bartels, was appointed deputy chairman and consultant to Mr Clarke.

Mr Clarke said Mr Elliott had done "a great job" for Elders, but "we have come to a watershed in the company's history, and another team, of which John is a very committed member, will take over and move it forward."

Mr Clarke said he hoped his appointment would help restore confidence that everything possible was being done "to stabilise Elders and its share price and to do the things that are necessary."

Analysts said the demotion of Mr Elliott to deputy chairman was unlikely to make much difference to the management of the company, which has been firmly in Mr Bartels' hands since he took over as chief executive.

However, the appointment of a former senior banker to head the Elders board would help to consolidate the renewal of confidence in the group which followed the announcement of plans for Asahi Breweries of Japan to take a 20 per cent stake.

The Asahi deal stabilised Elders' share price by providing for a cash injection of A$759m (US$590m)for Harlin Holdings, Mr Elliott's private company, which will be left with a 39 per cent stake in Elders.

The cash injection will enable Harlin to reduce its A$1.85bn debt to a banking syndicate led by National Australia Bank, but will leave the company around A$1.8bn in debt including other loans and preference share capital.

Harlin could face financing problems next year because its dividend income from Elders – its only source of income – is insufficient to service the interest payments on its loans.

However, the increasing confidence of the market in Elders' management will help Harlin by increasing the value of its shareholding, raising the prospect that its remaining 39 per cent stake could be sold to reduce its debt burden.

Elders has also benefited recently from the provisional approval announced by the UK Monopolies and Mergers Commission for a pubs-for-breweries swap between Grand Metropolitan and Courage, Elders' UK brewing subsidiary.

Elders has abandoned Mr Elliott's original plan for a capital return of A$2bn to shareholders, but is pursuing revised proposals to refocus itself as a global brewer based on its Fosters brand in Australia, Courage in the UK, and its interest in Molson in Canada.

Yorkshire Bank shows growth

By David Lascelles, Banking Editor

YORKSHIRE Bank, the newly-acquired UK retail banking subsidiary of the National Bank of Australia, made a pre-tax profit of £92.1m ($180m) in the first nine months of this year.

Because the Yorkshire Bank is in the process of adjusting its accounts to NAB's, no precise comparison with the previous year are available. The bank said yesterday, however, that this was equivalent to an annualised profit growth of about 9 per cent. Last year, Yorkshire Bank earned £113.1m.

The bank earned higher interest, commissions and fees, but this was offset by a sharply higher charge for bad and doubtful debts: £27.4m in the first nine months compared with £18.8m for the whole of last year.

Mr Graham Sunderland, general manager, said that operating conditions were much tougher. "We're doing a lot more nursing among our customers," he said. The result represents a return of about 13.7 per cent before tax on the nearly £1bn which NAB paid for Yorkshire at the end of last year. But the bank's own internal rate of return on capital was an effective 37 per cent, which means Yorkshire should retain its title as the UK's most profitable bank.

Mr Sunderland said the NAB was a "more pro-active" owner than Yorkshire's previous proprietors, four of the large clearing banks.

Yorkshire had set itself the target of expanding its branch network by 5 per cent a year, which was ambitious and would require much long-range planning.

He said Yorkshire's executive management had formed an excellent relationship with NAB, and shared the same aims of maintaining the bank's essential character, ensuring that customers' needs were paramount, and improving the quality of service.

Volkskas 12.6% ahead at the halfway stage

By Philip Gawith in Johannesburg

VOLKSKAS, one of South Africa's five leading banking groups, has achieved a modest improvements in profits in the six months to end-September amidst a slowing economy.

Operating profit at R156.8m ($61.4m) was only 12.6 per cent up on 1989's R139.2m. Attributable income rose by 12.4 per cent to R56.2m from R50m.

Dr Danie Cronje, managing director, said the increase in group net income was limited by a sustained high level of interest rates which kept interest margins under pressure. "High interest rates, together with the effect of an economic downswing, further exacerbated credit risks and the provision for doubtful advances was increased by 35.4 per cent to R76.5m," Dr Cronje said.

A slowdown in economic activities, he added, was reflected in group advances and acceptances showing only a moderate increase of 5.3 per cent during the last six months.

Dr Cronje said the factors inhibiting profitability were expected to continue during the second half of the year, but successful containment of costs and an anticipated improvement in interest income should allow profits for the year to increase.

Volkskas is currently involved in talks with other financial institutions – Allied, United and Sage – with a view to merging their interests into a major new financial services group.

Earnings per share rose by 11 per cent, from 117.7 cents to 130.7 cents, and the dividend has been increased from 25 cents to 27½ cents a share.

Mitsubishi Metal lifted by site sale profit

By Emiko Terazono in Tokyo

PRE-TAX profit of Mitsubishi Metal rose a modest 4 per cent in to Y15bn in the six months to September 30, despite a 15.5 per cent jump in sales to Y355.7bn ($2.76bn).

The company said high interest rates caused a Y1.2bn deterioration in its net financial charges.

After-tax profit soared 415.2 per cent to Y34bn due to a Y45bn profit from the sales of the company's Osaka plant site.

The company is forecasting a strong result for the whole year, thanks in part to the planned merger with Mitsubishi Mining and Cement in December.

It expects pre-tax profits to rise 15.3 per cent to Y30bn.

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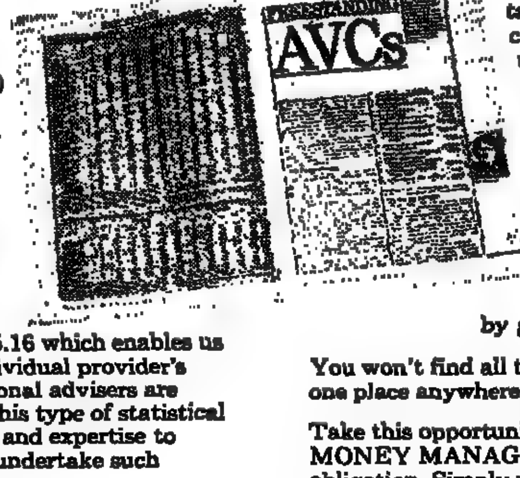

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2nd November, 1990

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday November 5, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	50.3679	33.9026	39.7397
Albania	(Lek)	10.12	5.1357	3.4568	4.052
Algeria	(Dinar)	18.568	9.4229	6.3426	7.4346
Andorra	(Fr Fr)	9.8225	4.9847	3.3552	3.9329
	(Sp Peseta)	183.95	93.3519	62.8351	73.6536
Angola	(Kwanza)	59.00	29.9416	20.1537	23.6236
Antigua	(E Carr $)	5.277	2.678	1.8025	2.1129
Argentina	(Austral)	10712.6	5436.49	3659.3	4289.33
Aruba	(Florin)	3.498	1.7751	1.1948	1.4006
Australia	(Aus $)	2.5125	1.275	0.8582	1.006
Austria	(Schilling)	20.595	10.4516	7.035	8.2462
Azores	(Port Escudo)	257.70	130.779	88.0273	103.183
Bahamas	(Bahama $)	1.9705	1	0.673	0.7889
Bahrain	(Dinar)	0.7214	0.366	0.2464	0.2888
Balearic Is	(Sp Peseta)	183.95	93.3519	62.8351	73.6536
Bangladesh	(Taka)	67.70	34.3567	23.1255	27.1071
Barbados	(Barb $)	3.9307	1.9947	1.3426	1.5738
Belgium	(Belg Fr)	60.60	30.7536	20.7002	24.2642
Belize	(B $)	3.9086	1.9835	1.3351	1.565
Benin	(CFA Fr)	491.13	249.241	167.764	196.649
Bermuda	(Bermudian $)	1.9705	1	0.673	0.7889
Bhutan	(Ngultrum)	35.30	17.9142	12.058	14.1341
Bolivia	(Boliviano)	6.450	3.2631	2.1964	2.5745
Botswana	(Pula)	3.610	1.832	1.2331	1.4454
Brazil	(Cruzado)	215.98	109.607	73.7762	86.4784
Brunei	(Brunei $)	3.3339	1.6919	1.1388	1.3348
Bulgaria	(Lev)	5.3664	2.7233	1.833	2.1487
Burkino Faso	(CFA Fr)	491.13	249.241	167.764	196.649
Burma	(Kyat)	11.5780	5.8756	3.9549	4.6358
Burundi	(Burundi Fr)	314.50	159.604	107.43	125.926
Cambodia	(Riel)	889.07	451.19	303.696	355.984
Cameroon	(CFA Fr)	491.13	249.241	167.764	196.649
Canada	(Canadian $)	2.2785	1.1563	0.7783	0.9123
Canary Is	(Sp Peseta)	183.95	93.3519	62.8351	73.6536
Cp. Verde	(CV Escudo)	131.38	66.6734	44.8778	52.6046
Cayman Is	(CI $)	1.669	0.8469	0.5701	0.6682
Cent.Afr. Rep	(CFA Fr)	491.13	249.241	167.764	196.649
Chad	(CFA Fr)	491.13	249.241	167.764	196.649
Chile	(Chilean Peso)	610.98	310.063	208.704	244.637
China	(Renminbi Yuan)	9.1727	4.655	3.1332	3.6727
Colombia	(Col Peso)	1057.62	536.727	361.271	423.471
Comoros	(CFA Fr)	491.13	249.241	167.764	196.649
Congo (Brazz)	(CFA Fr)	491.13	249.241	167.764	196.649
Costa Rica	(Colon)	191.85	97.361	65.5337	76.8168
Côte d'Ivoire	(CFA Fr)	491.13	249.241	167.764	196.649
Cuba	(Cuban Peso)	1.557	0.7901	0.5318	0.6234
Cyprus	(Cyprus £)	0.8394	0.4259	0.2867	0.336
Czechoslovakia	(Koruna)	46.57c	23.6335	15.9077	18.6466
		60.34t	30.6216	20.6114	24.1601
Denmark	(Danish Kroner)	11.2575	5.713	3.8454	4.5075
Djibouti Rep	(Djib Fr)	337.00	171.023	115.115	134.935
Dominica	(E Carrib $)	5.277	2.678	1.8025	2.1129
Dominican Rep	(D Peso)	21.284	10.8013	7.2703	8.5221
Ecuador	(Sucre)	1708.70	867.14	583.672	684.164
		1654.69	839.731	565.223	662.539
Egypt	(Egyptian £)	5.48	2.781	1.8719	2.1941
El Salvador	(Colon)	12.49	6.3384	4.2664	5.001
Equat'l Guinea	(CFA Fr)	491.13	249.241	167.764	196.649
Ethiopia	(Ethiopian Birr)	4.0342	2.0472	1.378	1.6152
Falkland Is	(Falk £)	1.00	0.5074	0.3415	0.4004
Faroe Is	(Danish Kroner)	11.2575	5.713	3.8454	4.5075
Fiji Is	(Fiji $)	2.8147	1.4284	0.9614	1.127
Finland	(Markka)	6.9948	3.5497	2.3893	2.8007
France	(Fr)	9.8225	4.9847	3.3552	3.9329
Fr. Cty/Africa	(CFA Fr)	491.13	249.241	167.764	196.649
Fr. Guiana	(Local Fr)	9.8225	4.9847	3.3552	3.9329
Fr. Pacific Is	(CFP Fr)	174.00	88.3024	59.4363	69.6696
Gabon	(CFA Fr)	491.13	249.241	167.764	196.649
Gambia	(Dalasi)	14.71	7.4651	5.0247	5.8898
Germany	(D-Mark)	2.9275	1.4856	1	1.1721
Ghana	(Cedi)	668.44	339.224	228.331	267.644
Gibraltar	(Gib £)	1.00	0.5074	0.3415	0.4004
Greece	(Drachma)	296.97	150.708	101.442	118.907
Greenland	(Danish Krone)	11.2575	5.713	3.8454	4.5075
Grenada	(E Carr $)	5.277	2.678	1.8025	2.1129
Guadaloupe	(Local Fr)	9.8225	4.9847	3.3552	3.9329
Guam	(US $)	1.9705	1	0.673	0.7889
Guatemala	(Quetzal)	11.0759	5.6208	3.7833	4.4347
Guinea	(Fr)	1211.67a	614.905	413.892	485.153
		586.29n	297.534	200.27	234.751
Guinea-Bissau	(Peso)	1270.30	644.659	433.92	508.629
Guyana	(Guyanese $)	87.944	44.6302	30.0406	35.2128
Haiti	(Goude)	9.7700	4.9581	3.3373	3.9119
Honduras	(Lempira)	11.4850	5.8284	3.9231	4.5985
Hong Kong	(HK $)	15.3075	7.7683	5.2288	6.1291
Hungary	(Forint)	118.8877	60.3337	40.6106	47.6026
Iceland	(Icelandic Krona)	106.75	54.174	36.4645	42.7427
India	(Indian Rupee)	35.30	17.9142	12.058	14.1341
Indonesia	(Rupiah)	3679.30	1867.19	1256.81	1473.19
Iran	(Rial)	125.50	63.6894	42.8693	50.2502
Iraq	(Iraqi Dinar)	0.6083	0.3087	0.2077	0.2435
Irish Rep	(Punt)	1.0940	0.5551	0.3736	0.438
Israel	(Shekel)	3.81	1.9335	1.3014	1.5255
Italy	(Lira)	2201	1116.98	751.836	881.281
Jamaica	(Jamaican $)	15.244	7.7361	5.2071	6.1037
Japan	(Yen)	249.75	126.744	85.3116	100
Jordan	(Jordanian Dinar)	1.2708	0.6449	0.434	0.5088
Kenya	(Kenya Shilling)	44.90	22.786	15.3373	17.9779
Kiribati	(Australian $)	2.5120	1.2748	0.858	1.0058
Korea North	(Won)	1.900	0.9642	0.649	0.7607
Korea South	(Won)	1400.95	710.962	478.548	560.941
Kuwait	(Kuwaiti Dinar)§				
Laos	(New Kip)	1387.55	704.161	473.971	555.576
Lebanon	(Lebanese £)	1361.0	690.688	464.902	544.945
Lesotho	(Maluti)	4.9628	2.5185	1.6952	1.9871
Liberia	(Liberian $)	1.9705	1	0.673	0.7889
Libya	(Libyan Dinar)	0.5220	0.2649	0.1783	0.209
Liechenstein	(Swiss Fr)	2.4650	1.2509	0.842	0.9869
Luxembourg	(Lux Fr)	60.60	30.7536	20.7002	24.2642
Macao	(Pataca)	15.716	7.9756	5.3684	6.2926
Madagascar	(MG Fr)	2206.55	1119.79	753.732	883.504
Madeira	(Port Escudo)	257.70	130.779	88.0273	103.183
Malawi	(Kwacha)	5.0025	2.5386	1.7087	2.003
Malaysia	(Ringgit)	5.3005	2.6899	1.8105	2.1223
Maldive Is	(Rufiya)	19.2615	9.7749	6.5795	7.7123
Mali Rep	(CFA Fr)	491.13	249.241	167.764	196.649
Malta	(Maltese £)	0.5837	0.2962	0.1993	0.2337
Martinique	(Local Fr)	9.8225	4.9847	3.3552	3.9329
Mauritania	(Ouguiya)	153.96	78.1324	52.5909	61.6456
Mauritius	(Maur Rupee)	27.890	14.1537	9.5269	11.1671
Mexico	(Mexican Peso)	5742.03	2914	1961.41	2299.11
		5692.09d	2888.65	1944.35	2279.12
Miquelon	(Local Fr)	9.8225	4.9847	3.3552	3.9329
Monaco	(French Fr)	9.8225	4.9847	3.3552	3.9329
Mongolia	(Tugrik)	6.5577	3.3279	2.24	2.6257
Montserrat	(E Carr $)	5.277	2.678	1.8025	2.1129
Morocco	(Dirham)	15.8942	8.066	5.4292	6.364
Mozambique	(Metical)	1814.61	920.888	619.85	726.571
Namibia	(S A Rand)	4.9628	2.5185	1.6952	1.9871
Nauru Is	(Australian $)	2.5125	1.275	0.8582	1.006
Nepal	(Nepalese Rupee)	57.083	28.9687	19.4988	22.856
Netherlands	(Guilder)	3.3025	1.6759	1.128	1.3223
N'nd Antilles	(A/Guilder)	3.4982	1.7752	1.1949	1.4006
New Zealand	(NZ $)	3.1950	1.6214	1.0913	1.2792
Nicaragua	(Cordoba)	2443125.0	1239850	834543	978228
Niger Rep	(CFA Fr)	491.13	249.241	167.764	196.649
Nigeria	(Naira)	15.63	7.9319	5.339	6.2582
Norway	(Nor. Krone)	11.4775	5.8246	3.9205	4.5955
Oman	(Rial Omani)	0.7533	0.3822	0.2573	0.3016
Pakistan	(Pak. Rupee)	42.50	21.5681	14.5175	17.017
Panama	(Balboa)	1.9705	1	0.673	0.7889
Papua New Guinea	(Kina)	1.8530	0.9403	0.6329	0.7419
Paraguay	(Guarani)	2384.0	1209.85	814.347	954.555
Peru	(Intl)	86066.4	43677.4	29399.3	34461
Philippines	(Peso)	52.85	26.8206	18.0529	21.1611
Pitcairn Is	(£ Sterling)	1.00	0.5074	0.3415	0.4004
	(NZ $)	3.1950	1.6214	1.0913	1.2792
Poland	(Zloty)	18558.0	9417.91	6339.2	7430.63
Portugal	(Escudo)	257.70	130.779	88.0273	103.183
Puerto Rico	(US $)	1.9705	1	0.673	0.7889
Qatar	(Riyal)	7.129	3.6178	2.4351	2.8544
Reunion Is. de la	(F/Fr)	9.8225	4.9847	3.3552	3.9329
Romania	(Leu)	38.17	19.3707	13.0384	15.2832
Rwanda	(Fr)	139.40	70.7434	47.6174	55.8158
St Christopher	(E Carr $)	5.277	2.678	1.8025	2.1129
St Helena	(£)	1.00	0.5074	0.3415	0.4004
St Lucia	(E Carr $)	5.277	2.678	1.8025	2.1129
St Pierre	(French Fr)	9.8225	4.9847	3.3552	3.9329
St Vincent	(E Carr $)	5.277	2.678	1.8025	2.1129
San Marino	(Italian Lira)	2201.0	1116.98	751.836	881.281
Sao Tome	(Dobra)	294.513	149.461	100.602	117.923
Saudi Arabia	(Riyal)	7.3425	3.7262	2.5081	2.9399
Senegal	(CFA Fr)	491.13	249.241	167.764	196.649
Seychelles	(Rupee)	9.77	4.9581	3.3373	3.9119
Sierra Leone	(Leone)	332.23	168.602	113.486	133.025
Singapore	($)	3.3390	1.6944	1.1405	1.3369
Solomon Is	($)	5.0488	2.5621	1.7246	2.0215
Somali Rep	(Shilling)	5120.27	2598.46	1749.02	2050.16
South Africa	(Rand)	4.9628c	2.5185	1.6952	1.9871
		7.3060g	3.7076	2.4956	2.9253
Spain	(Peseta)	183.95	93.3519	62.8351	73.6536
Spanish Ports in N Africa	(Sp Peseta)	183.95	93.3519	62.8351	73.6536
Sri Lanka	(Rupee)	78.70	39.9391	26.883	31.5115
Sudan Rep	(£)	8.7940	4.4628	3.0039	3.5211
		22.37g	11.3524	7.6413	8.9569
Surinam	(Guilder)	3.488	1.7701	1.1914	1.3965
Swaziland	(Lilangeni)	4.9628	2.5185	1.6952	1.9871
Sweden	(Krona)	10.9600	5.562	3.7438	4.3883
Switzerland	(Fr)	2.4650	1.2509	0.842	0.9869
Syria	(£)	41.040	20.8272	14.0187	16.4324
Taiwan	($)	53.15	26.9728	18.1554	21.2812
Tanzania	(Shilling)	382.70	194.215	130.726	153.233
Thailand	(Baht)	48.825	24.7779	16.678	19.5495
Togo Rep	(CFA Fr)	491.13	249.241	167.764	196.649
Tonga Is	(Pa Anga)	2.5125	1.275	0.8582	1.006
Trinidad/Tobago	($)	8.306	4.2151	2.8372	3.3257
Tunisia	(Dinar)	1.6228	0.8235	0.5543	0.6497
Turkey	(Lira)	5386.02	2733.33	1839.8	2156.56
Turks & Caicos	(US $)	1.9705	1	0.673	0.7889
Tuvalu	(Australian $)	2.5125	1.275	0.8582	1.006
Uganda	(New Shilling)	943.34	478.731	322.234	377.714
U A E	(Dirham)	7.1910	3.6493	2.4563	2.8792
United Kingdom	(£)	1.00	0.5074	0.3415	0.4004
United States	(US $)	1.9705	1	0.673	0.7889
Uruguay	(Peso)	2734.0	1387.47	933.903	1094.69
USSR	(Rouble)	1.0807	0.5484	0.3691	0.4327
Vanuatu	(Vatu)	227.481	115.443	77.7048	91.0834
Vatican	(Lira)	2201.0	1116.98	751.836	881.281
Venezuela	(Bolivar)	99.11	50.2968	33.8548	39.6836
Vietnam	(Dong)	12312.09	6248.21	4205.67	4929.77
Virgin Is-British	(US $)	1.9705	1	0.673	0.7889
Virgin Is-US	(US $)	1.9705	1	0.673	0.7889
Western Samoa	(Tala)	4.4865	2.2768	1.5325	1.7963
Yemen	(Rial)	23.549	11.9507	8.044	9.429
Yemen PDR	(Dinar)	0.9009	0.4571	0.3077	0.3607
Yugoslavia	(Dinar)	20.4594	10.3828	6.9886	8.1919
Zaire Rep	(Zaire)	1401.16	711.068	478.62	561.025
Zambia	(Kwacha)	80.70	40.954	27.5661	32.3123
Zimbabwe	($)	5.008	2.5414	1.7106	2.0052

Special Drawing Rights November 2, 1990 United Kingdom £0.737244 United States $1.43910 Germany West D Mark 2.16081 Japan Yen186.363 European Currency Unit Rates November 5, 1990 United Kingdom £0.700678 United States $1.37718 Germany West D Mark 2.05682 Japan Yen175.

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate;§ Kuwait Dinar unavailable. (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar;
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Monday November 5, 1990

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RM RAND MINES

HARMONY GOLD MINING COMPANY LIMITED

(Registration No. 05/38232/06)
(Incorporated in the Republic of South Africa)

Further rationalisation of operations

Due to the persistently low gold price in rand terms and the cash outflows arising from losses sustained, operations will be further rationalised.

Mining will be conducted in those areas where profits can be realised. Four of the seven shafts will operate at reduced levels of production, while one of the mine's four metallurgical plants will be closed.

Tonnages milled will be reduced from the current level of approximately 800 000 to 550 000 tons per month. Gold output is expected to fall from approximately 2 800 to 2 000 kilograms per month, once the plan has been fully implemented.

Discussions with the relevant trade unions have commenced regarding the reduction in manpower requirements.

Although an overall loss is expected for the current financial year, profitability will be restored in the second half of the year providing there are no further reductions in the gold price and the production levels now planned are achieved.

Johannesburg
5 November 1990

Registered Office
19th Floor, The Corner House
63 Fox Street, Johannesburg
2001

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Notice of Redemption

Inter-American Development Bank

U.S. $100,000,000

11% Bonds due 11 December, 1992

NOTICE IS HEREBY GIVEN that, pursuant to the terms and conditions of the Bonds, Citibank, N.A. as Fiscal Agent, has selected by lot for redemption on December 11, 1990 US$8,000,000 principal amount of said Bonds, at the redemption price of 100% of the principal amount thereof. Bonds selected by lot for redemption are as follows: Outstanding Bonds bearing serial numbers ending in any of the following two digits:

14 22 33 43 60 74

Payment will be made upon surrender of Bonds together with all coupons maturing after the date fixed for redemption, at the offices of the Paying Agents as shown on the Bonds. Coupons maturing on December 11, 1990 should be detached and presented for payment in the usual manner. On and after December 11, 1990 interest on the Bonds will cease to accrue and unmatured coupons will become void. Outstanding after December 11, 1990 US$76,000,000

November 6, 1990
By Citibank, N.A. (CSSI Dept.)
London, Fiscal Agent

CITIBANK

NOTICE OF AMENDED INTEREST RATE

Collateralised Mortgage Securities

No. 4 plc £200,000,000 due July 2027

No. 6 plc £225,000,000 due October 2027

The rate of interest on the above-mentioned notes has been amended to 13.89583% for the period 31 October, 1990 to 31 January, 1991. Interest payable on No. 4 notes will be £335.88 per £9,589.59 note Interest payable on No. 6 notes will be £350.25 per £10,000 note

Agent: Morgan Guaranty Trust Company

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INTERNATIONAL CAPITAL MARKETS

Demand for bund tranche firms on Lombard rate rise

By Deborah Hargreaves in London and Karen Zagor in New York

THE GERMAN government launched its latest bond issue yesterday which came as part of a second tranche to the September Bund.

The first part of the bond issue amounted to DM3bn which was sold through the consortium of German banks. A further DM4bn to DM6bn is expected to be sold by auction today.

The terms of the bond are the same as those of the October issue which means the paper carries a coupon of 9 per cent and it was launched at a price of 100.60.

Market conditions were not so tense and the reception of this issue not so tentative as had been the case in October, but nevertheless, dealers say there is a lack of enthusiasm for new government paper.

There is more willingness among German investors to buy government bonds after last week's increase in the Lombard rate from 8 per cent to 8.5 per cent, which has underpinned the long end of the market.

In addition, many German investors are currently shunning foreign currency bonds because of the strength of the D-Mark and the currency risk they could face.

The D-Mark reached a new all-time high against the dollar yesterday when it rose to $1.49.

Dealers said the new bond was trading below par on its debut in the market yesterday and this is where investors are most interested in buying the paper.

German investors show little interest in buying bonds until the yield rises to 9 per cent which is the level offered by the new bond at a price below par. Bond prices softened in the cash market yesterday where the 8½ per cent 10-year bond was fixed 20 pfennigs lower at 96.80 to offer a yield of 8.99 per cent.

It closed five pfennigs below that price with a yield of 9.01 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-10	+09/32	11.48	11.71	11.48
		9.000	03/00	87-00	+11/32	11.28	11.41	11.17
		9.000	10/08	84-28	+10/32	10.93	10.95	10.83
US TREASURY *		8.750	08/00	101-22	+17/32	8.48	8.50	8.68
		8.750	08/20	101-10	+23/32	8.62	8.74	8.83
JAPAN	No 119	4.800	6/99	85.1436	+0.355	7.68	7.73	8.15
	No 123	6.400	03/00	94.6744	+0.367	7.38	7.46	7.84
GERMANY		8.500	08/00	99.9800	-0.270	9.00	8.96	8.95
FRANCE	BTAN	9.000	11/95	95.4308	-0.144	10.20	10.18	10.39
	OAT	8.500	03/00	89.4300	-0.280	10.29	10.30	10.58
CANADA *		10.500	03/01	98.1000	+0.550	10.81	10.97	11.13
NETHERLANDS		9.000	10/00	100.5200	-0.120	9.17	9.17	9.14
AUSTRALIA		13.000	07/00	99.2483	+0.696	13.13	13.37	13.58

London closing, *denotes New York closing session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■ US Treasuries rallied yesterday afternoon amid falling oil prices and renewed hopes that a softening economy will prompt the Federal Reserve to ease monetary policy.

In late trading, the Treasury's benchmark 30-year bond was ⅝ higher at 101¹¹⁄₃₂, yielding 8.62 per cent. Shorter-dated maturities rose about ⅛.

The Federal Reserve entered the open market to arrange $1.5bn in customer repurchase agreements when Fed Funds were trading at 7⅞ per cent.

The operation, which adds liquidity to the banking system, was widely expected given that the funds were higher than the Fed's perceived target of 7¾ per cent.

The long end of the yield curve was supported by short-covering and some retail bidding. In addition, buying interest was sharpened after the December bond contract broke resistance.

Bond prices were also supported by declining oil futures, with the December crude oil contract dropping $2.04 a barrel to $31.96 in the absence of news from the Middle East.

There was also some optimism ahead of Tuesday's refunding auction, where $12.4bn in three-year notes will be sold. In addition, yesterday's weekly bill auction was quite stong, indicating a firm market for government securities.

But the main factor behind the US bond market's movements yesterday was the growing belief that the US economy is getting weaker, which spurred renewed speculation the Federal Reserve will be forced to ease monetary policy again after the Federal Open Market Committee meeting next Tuesday.

■ IN THE UK, gilt-edged securities held up well yesterday in spite of the uncertain UK political environment. Gilts prices were firmer on the strength of the pound which was trading at DM2.93 over the weekend.

A report by a leading brokerage house on the probability of a cut in base interest rate before the end of the year and a good trading year for gilts next year, which was released yesterday morning, set a strong tone for the day.

Investors are now looking to the Chancellor's Autumn Statement on the economy, which is expected on Thursday to give further direction to the market.

The price of the 11¾ per cent issue maturing in 2003/07 rose by ⅛ to trade at 102⅛ offering a yield of 11.41 per cent.

■ THE JAPANESE government bond market traded in a narrow range yesterday as prices fell in Tokyo pushing the yield on the 119 bond from 7.66 per cent to 7.70 per cent.

But this was reversed in later London trading on the back of a stronger yen and the yield dropped again to 7.66 per cent at the close of London's market.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 5

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	100	100⅜	+⅛	8.83
ALBERTA PROVINCE 9 3/8 95	600	101⅝	102	+⅛	8.92
AUSTRIA 8 1/2 00	400	94⅛	94⅝		9.41
BANK OF TOKYO 8 3/8 95	100	95⅝	96⅛	+⅛	9.36
BELGIUM 9 1/8 92	400	101⅛	101⅝		8.42
BFCE 7 3/4 97	150	93⅛	93⅝	+⅛	9.13
BNP 8 5/8 94	300	99	99½		8.95
BP CAPITAL 9 5/8 93	150	101⅝	102⅛		8.81
CANADA 9 96	1000	101⅛	101⅝	+⅛	8.71
CARCO 9 1/4 96	650	97⅝	98		9.85
CCCE 9 1/4 95	300	101⅝	102		8.76
COUNCIL EUROPE 8 96	100	95⅝	96⅛		8.99
CREDIT FONCIER 9 1/2 99	300	100⅜	101	+⅛	9.35
DENMARK 0 98	250	50	50½		9.35
DENMARK 8 1/4 94	150	98⅛	98⅝	+⅛	8.86
ECSC 8 1/4 96	193	96⅛	96⅝		9.10
EEC 7 1/4 93	250	97⅛	97⅝	+⅛	8.44
EIB 7 3/4 96	250	94⅛	95⅛		8.95
EIB 10 97	250	103⅞	104⅜	+⅛	9.15
ELEC DE FRANCE 9 98	200	99⅛	100⅛	+⅛	9.03
EUROFIMA 9 1/4 96	100	100½	101⅛	+⅛	9.11
EXPORT DEV CORP 9 1/2 98	150	101⅛	101⅝	+⅛	9.25
FINLAND 7 7/8 97	200	93⅛	94⅛		9.31
FINNISH EXPORT 9 3/8 95	200	101⅛	101⅞	+⅛	8.99
FORD MOTOR CREDIT 9 1/2 93	300	100½	100⅞		9.30
GEN ELEC CAPITAL 9 3/8 96	300	100⅜	101⅛		9.20
GMAC 9 1/8 96	200	97⅝	98⅛		9.69
HALIFAX 9 1/2 93	200	101⅛	101⅝	+⅛	8.85
IBM WORLD TRADE 7 5/8 93	150	96⅝	97⅛	-⅛	9.09
IND BK JAPAN FIN 7 7/8 97	200	92⅝	93		9.46
INTER AMER DEV 7 5/8 96	200	93⅝	94⅛		9.13
ITALY 8 1/2 94	1500	99⅝	99⅞	+⅛	8.69
JAPAN DEV BK 8 94	150	97⅝	98⅛	+⅛	8.69
KANSAI ELEC PWR 10 96	350	102⅝	102⅞		9.39
LTCB 8 5/8 93	150	99⅛	99⅝	-⅛	8.95
NEW ZEALAND 8 93	100	98⅛	98⅝		8.74
NIPPON CRED BK 9 3/4 93	150	101⅞	102⅛	+⅛	8.99
NIPPON TEL & TEL 9 3/8 95	200	101⅛	102⅛	+⅛	8.92
NORDIC INV BANK 9 93	200	100⅞	101⅛		8.58
OLYMPIA & YORK 8 1/4 96	435	82⅞	85⅛	+1½	12.64
ONTARIO HYDRO 11 5/8 94	200	107⅝	108	+⅛	8.89
OSTER KONTROLLBANK 8 1/8 93	200	99⅛	99⅝		8.45
PRUDENTIAL RLTY SECS 0 99	365.216	45⅛	46⅛	-⅛	10.05
QUEBEC HYDRO 9 3/4 98	150	100⅞	101¼	+⅛	9.58
QUEBEC PROV 9 98	200	97½	97⅞	+⅛	9.46
SAINSBURY 9 1/8 96	150	99⅛	99⅝		9.29
SAS 10 99	200	100⅛	101⅛		9.91
SBAB 9 1/2 95	500	101⅛	102	+⅛	8.99
STATE BK STH AUST 9 1/4 93	100	100⅛	101⅛		8.83
SUMITOMO BK CAP MKT 9 3/8 93	150	101⅛	101½		8.93
SWEDEN 8 1/8 94	150	97⅝	98⅛	+⅛	8.89
SWEDISH EXPORT 9 5/8 93	100	102⅛	102⅝		8.47
TOKYO METROPOLIS 8 1/4 96	200	96⅛	96⅝	+⅛	9.09
WORLD BANK 8 3/8 99	1500	95⅝	95⅞		9.31
WORLD BANK 8 3/4 97	1500	99⅛	99⅝	+⅛	9.10
XEROX CORPN 8 3/8 96	100	92⅞	94⅛	+⅛	10.03

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96⅛	96½	-⅛	9.10
AUSTRIA 6 98	400	83⅛	83⅝		9.21
CNT 6 1/8 98	200	82⅞	83⅛		9.26
CREDIT FONCIER 6 3/4 99	500	85⅛	85⅞		9.27
DEUTSCHE BK FIN 5 5/8 96	750	85⅞	86⅛		8.95
EEC 5 3/8 93	300	93⅛	93⅝	+⅛	8.99
EIB 6 1/8 96	300	86⅛	87	+⅛	9.22
EIB 6 7/8 95	300	91⅞	91⅞	+⅛	8.95
EUROFIMA 6 1/4 98	400	85⅛	85⅝		8.87
FELDMUEHLE FINANCE 8 99	200	91⅛	91⅝		9.40
FERRO DEL STAT 5 3/8 93	500	92⅞	92⅞	-⅛	9.08
IND BK JAPAN FIN 5 5/8 96	200	84⅛	84⅝		9.46
INTER AMER DEV 7 1/4 99	300	89	89⅛		9.13
LUFTHANSA INT FIN 5 7/8 98	500	82⅛	82⅝		9.26
QUEBEC HYDRO 6 3/4 99	300	84⅛	85	-⅛	9.45
SWEDEN 6 1/8 98	300	84⅛	84⅝		9.12
WORLD BANK 0 15	2000	13½	13⅝		8.30
WORLD BANK 5 3/4 96	300	86⅛	86⅝		9.12
WORLD BANK 7 1/8 95	500	93⅛	93⅝		9.00

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AIR CANADA 6 1/4 PERP	300	54	55	+1	11.56
ASIAN DEV BANK 6 10	100	81	82	-¼	7.92
AUSTRIA 4 5/8 98	100	86¼	87		7.11
COUNCIL EUROPE 4 3/4 98	250	84½	85½	-¼	7.59
EEC 5 1/2 00	100		86¼		7.41
EIB 5 3/4 93	100	97		-¼	6.90
FINLAND 5 3/8 95	150	92½	94½	-1	7.22
GENERAL MOTORS 7 1/2 95	100	101¼	102	+¼	7.15
JAPAN DEV BK 5 1/2 94	100	94	95	-1½	7.63
MOUNT ISA FINANCE 5 3/4 94	100	81	81½	+1½	12.77
NEW ZEALAND 4 7/8 99	200	83½	84		7.64
QUEBEC HYDRO 5 08	100	75	77	-½	7.64
SKANDINAVISKA ENSK 6 1/2 95	100	97¼	97¾		7.28
WORLD BANK 5 03	150	81	82		7.34
WORLD BANK 7 1/4 92	100	100½	101½		6.89

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	92¾	92⅞	+⅛	7.41
CANADA 4 3/8 92	80000	95¼	95¾	+⅛	7.45
CREDIT FONCIER 5 1/4 94	20000	91⅞	92⅛	+⅛	7.61
DENMARK 7 95	40000	98⅝	99	+⅛	7.34
EIB 4 5/8 94	40000	91⅝	91⅞	+⅛	7.41
GENERAL ELECTRIC 5 3/4 93	35000	95⅝	96	+⅛	7.85
INTER AMER DEV 7 1/4 00	30000	99⅛	99⅝	+⅛	7.33
ITALY 5 3/4 92	150000	98	98⅛	+⅛	7.40
KANSAI ELEC PWR 4 5/8 94	60000	91⅛	91½	+⅛	7.56
NIPPON TEL & TEL 5 7/8 96	50000	92⅞	93⅛	+⅛	7.41
NORWAY 5 1/8 95	50000	91⅝	91⅞	+⅛	7.41
SWEDEN 5 5/8 95	20000	92⅛	93	+⅛	7.51
WORLD BANK 6 3/4 00	50000	96⅛	96½	+⅛	7.33

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	91⅛	92⅛		10.09
KREDIETCORP 7 93 LFr	1000	92⅝	93⅛		10.06
WORLD BANK 8 96 LFr	1000	91⅛	92⅛		10.01
AMRO BANK 6 1/4 92 Fl	150	94⅛	95⅛		9.74
RABOBANK 5 3/4 93 Fl	150	92⅛	93		9.60
ALBERTA PROVINCE 10 92 C$	500	97⅝	97⅞	+⅛	11.72
BCE INC 9 5/8 93 C$	300	95	95½		12.00
BELL CANADA 10 5/8 99 C$	150	92⅝	93⅛	+⅛	11.96
BRITISH COLUMBIA 9 1/4 95 C$	150	94⅛	95⅛		11.50
EIB 10 1/8 98 C$	130	93⅝	94⅛	+⅛	11.37
FORD CREDIT CANADA 10 94 C$	100	92⅛	92⅝	+⅛	12.63
GENERAL ELECT CAP 10 1/4 93 C$	175	96⅛	96⅝		11.88
MONTREAL TRUSTCO 8 1/2 92 C$	100	95⅝	96⅛		13.15
ONTARIO HYDRO 10 7/8 99 C$	500	94⅛	94⅝	+⅛	11.92
QUEBEC PROV 10 1/2 98 C$	200	92⅛	92⅝	+⅛	12.15
ROYAL TRUSTCO 10 1/4 93 C$	100	95	95½	+⅛	12.58
SWEDEN 9 3/4 93 C$	250	96	96⅛	+⅛	11.62
AUSTRIA 7 3/8 93 Ecu	125	93	94		10.79
CNT 7 3/8 93 Ecu	250	91⅞	93	-⅛	11.04
CREDIT LYONNAIS 9 96 Ecu	125	92⅞	93⅛	-⅛	10.95
DENMARK 7 5/8 96 Ecu	250	88	88½		10.60
EEC 7 5/8 94 Ecu	200	92⅛	93⅛		10.29
EIB 10 97 Ecu	1125	98⅝	99		10.23
ITALY 10 3/4 00 Ecu	1000	101⅞	102	-⅛	10.41
SWEDEN 7 1/2 93 Ecu	250	91⅛	92⅛		10.89
BMW FINANCE 14 1/2 92 A$	100	101⅛	102⅛	+⅛	13.03
COUNCIL EUROPE 13 93 A$	50	100⅛	101⅛	+⅛	12.52
EKSPORTFINANS 12 3/8 95 A$	75	100⅛	100⅝	+⅛	12.25
FORD CRED AUST 13 93 A$	50	99⅛	99⅝	+⅛	13.30
ICI 15 1/2 92 A$	100	102⅛	103	+⅛	13.45
MCDONALDS CANADA 15 95 A$	100	104	104½		13.71
NAT AUSTRALIA BANK 14 3/4 94 A$	150	103⅛	104	+⅛	13.29
STATE BK NSW 14 1/4 99 A$	100	103⅛	103⅝	+⅛	13.58
VOLKSWAGEN INTL 15 94 A$	100	104⅝	105⅛	+⅛	13.16
ABBEY NATL TREAS 13 3/8 95 £	100	102⅝	103⅛	+⅛	12.46
BARCLAYS JERSEY 9 1/2 93 £	250	94	94½	+⅛	12.45
BRITISH GAS 12 3/4 95 £	150	102½	102⅞	+⅛	11.92
DEUTSCHE BK FIN 11 94 £	225	97⅛	97⅝	+⅛	12.09
EIB 10 97 £	300	90⅝	91	+⅛	12.21
FORD CREDIT FUNDING 9 5/8 93 £	50	93⅛	93⅝	+⅛	12.93
INTER AMER DEV 11 3/8 95 £	75	98⅛	98⅝	+⅛	11.88
ITALY 10 1/2 14 £	400	86	86⅛	+⅛	12.33
LAND SECS 9 1/2 07 £	200	73⅝	74⅛	+⅛	13.53
LEEDS PERMANENT 9 1/4 93 £	50	93	93½	+⅛	12.54
NORWAY 10 1/2 94 £	200	95⅛	96⅛	+⅛	12.10
ROLLS-ROYCE 9 5/8 93 £	150	93⅛	93⅝	+⅛	12.72
SAINSBURY 10 7/8 93 £	100	96⅞	97⅛	+⅛	12.56
SKANDINAVISKA ENSK 13 1/8 95 £	100	102⅛	102⅝	+⅛	12.41
WORLD BANK 11 1/4 95 £	100	97⅞	98⅛	+⅛	11.84
ABBEY NATIONAL 0 96 NZ$	100	45⅛	47⅛	+⅛	14.14
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	98⅛	99⅛	-⅛	13.64
AIDC 7 7/8 93 FFr	600	93⅛	93⅝		10.58
CREDIT LYONNAIS 10 95 FFr	2000	97⅛	97⅝	-⅛	10.72
EURATOM 7 5/8 98 FFr	500	85	85⅛		10.57

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.94	100.03	13.9375
ALBERTA PROVINCE 1/32 93	500	99.91	100.01	8.4063
ALLIANCE & LEICS 0.08 94 £	300	99.64	99.69	13.9550
BANCO ROMA 0.03 01	200	92.98	93.93	8.4675
BANCO SANTO SPIRITO 93	200	99.45	99.55	8.4375
BELGIUM 1/16 97 DM	500	99.94	100.03	8.8125
BFCE -0.02 96	350	99.68	99.78	8.4175
BNP 05	300	97.81	98.05	8.0000
BRITANNIA 1/10 96 £	150	99.57	99.62	13.9750
CCCE 06 ECU	200	99.95	100.05	10.3906
CITICORP 1/4 98	500	78.80	81.20	8.3125
CITIZENS FED 0.15 96	100	99.39	99.83	8.2125
COMMERZBK O/S FIN 93	200	99.57	99.67	7.9375
DENMARK -1/8 96	1000	99.03	99.13	8.0000
FERRO DEL STAT 94	200	100.18	100.29	8.2500
HALIFAX 1/10 94 £	200	99.77	99.82	15.1000
MITSUI FIN ASIA 1/8 96	100	99.58	99.68	8.1875
MORGAN (JP) 1/4 97	250	98.36	99.12	8.5000
NAT WEST FIN 3/16 05	400	94.49	95.39	8.3125
NEW ZEALAND 93	500	99.31	99.41	8.0625
NORTHEAST SAVINGS 1/10 96	150	99.48	99.94	8.1625
QUEBEC PROV 01	300	96.92	97.05	8.1250
RENFE 98	500	99.33	99.43	8.5000
SOCIETE GENERALE 96	300	98.56	98.66	8.0000
UNITED KINGDOM -1/8 96	4000	99.91	99.96	8.2500
WELLS FARGO 1/16 94	150	93.00	95.00	8.1875

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	103⅛	104⅛	+26.01
ASDA-MFI 4 3/4 02 £	100	1.64	109⅛	110⅛	+43.17
BURTON GROUP 4 3/4 01 £	110	3.15	99⅞	101⅛	
EASTMAN KODAK 6 3/8 01	300	50.67	92⅛	93⅛	+14.71
GOLD KALGOORLIE 7 1/2 00	65	1.0554	70⅛	71⅛	+29.38
GOODYEAR TIRE 6 7/8 03	150	80⅛	52⅛	53⅛	
GRACE (WR) 6 1/4 02	150	42⅛	69⅞	71	+40.17
GRAND MET 6 1/4 02 £	100	6.58	89	90	+5.14
HAWLEY 6 02 PREF	400	1.91	93⅛	94⅞	+33.16
HILLSDOWN 4 1/2 02 £	150	4.16	102⅛	103⅛	+69.26
INTL PAPER 5 3/4 02	200	69½	82	83⅛	+19.51
LAND SECS 6 3/4 02 £	84	6.72	82⅛	83⅛	+10.55
MITSUBISHI BK 1 3/4 02	300	2727.1	75⅛	77⅛	+0.89
OGDEN 6 02	85	39.077	64	65⅛	+48.20
PACIFIC DUNLOP 6 3/4 97	75	3.749	98⅝	99⅝	+3.52
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	76⅞	77⅞	
THORN EMI 5 3/4 04 £	103	7.45	100⅝	101⅛	+25.57

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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Data supplied by Association of International Bond Dealers.

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INTERNATIONAL CAPITAL MARKETS

Two World Bank deals attract strong demand

By Tracy Corrigan

THE WORLD Bank pulled off a successful double yesterday, launching sell-out five-year deals in sterling and Canadian dollars. A dearth of supply in both sectors over the last month or so helped fuel demand, while the quality of the World Bank's credit commanded widespread distribution, encompassing central banks, institutional and retail investors.

The World Bank's £100m issue of 12 per cent five-year bonds via Samuel Montagu was the first issue of unsubordinated debt in the sector since sterling joined the exchange rate mechanism of the European Monetary System last month. The resulting reduction in foreign exchange risk for continental European investors helped boost their level of participation in this deal, underwriters said.

The short end of the sterling bond market is technically strong, according to analysts. Most dealers still expect a further cut in the base rate before the end of the year, and the short end of the yield curve stands to benefit most.

The World Bank offering was launched at a spread of 30 basis points above the five-year UK gilt yield, at a fixed reoffered price of 100.45. Late in the day, the bonds were bid at 100.55.

A lack of swap opportunities is forestalling efforts to bring further sterling deals to the market, and most UK corporates are not keen to raise funds, at least until rates have fallen further.

Meanwhile, the World Bank's C$150m issue of 11¼ per cent five-year bonds also met keen demand, supported by more than C$500m in redemptions of outstanding issues due this month.

The deal, IBJ International's fourth consecutive World Bank mandate in Canadian dollars, was quoted comfortably within 1¾ point fees at less 1½ points. The yield spread tightened by two basis points to 50.

Both deals were initially swapped into floating-rate D-Marks, and will ultimately be swapped into fixed-rate D-Marks, according to Mr John Herlihy, principal financial officer at the World Bank.

Mr Herlihy said that the D-Mark has been the bank's preferred end-currency this year, generating the best cost savings in swapped transactions. He added that the bank has already completed close to half of its $3bn swaps programme scheduled for this fiscal year.

In the French franc sector, a FFr1bn two-year deal for the French government-guaranteed Banque Française du Commerce Extérieur also elicited a positive response, as investors continue to favour short-dated bonds.

The deal was considered attractively priced at a spread of around 30 basis points above the two-year French government BTAN. The spread tightened by 10 basis points, according to lead manager Crédit Lyonnais.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
CANADIAN DOLLARS						
World Bk(a)♦	150	11½	101⅞	1995	1¾/1½	IBJ Int.
STERLING						
World Bk(a)♦	100	12	102.075	1995	1¾/1½	Samuel Montagu & Co
FRENCH FRANCS						
BFCE(a)♦	1bn	10¼	100.80	1992	1⅛/⅝	Credit Lyonnais
YEN						
The CIT Group Hldgs.(b)♦	10bn	8	101⅝	1994	1⅝/1⅛	DKB Int.
Montreal Trustco Canada(a)♦	5bn	8⅛	101	1992	1⅛/¾	IBJ Int.

★Private placement. §Convertible. ‡With equity warrants. †Floating rate note. ♦Final terms. a) Non-callable. b) Callable and puttable after 3 years at par.

BZW to launch FT-SE 100 warrants

By Deborah Hargreaves

BARCLAYS de Zoete Wedd has announced the launch of 120m put and call warrants on the FT-SE 100 index today. The issue is part of a bid by Barclays to create a liquid secondary market in over-the-counter index warrants by launching a range of instruments and committing the firm to make a market in them.

"We are planning to create a long-term options market with liquidity equal to or greater than that of the London Traded Options Market," said Mr Guy Austin, director at BZW.

BZW will issue warrants every six months and if demand is great, every quarter. The brokerage house also plans to launch warrants on overseas stock indices.

The warrants will extend over two or three years and will offer a series of exercise prices; today's issue will expire in September 1992.

One of the problems for investors in over-the-counter index warrants is the illiquidity of the market for some issues and the lack of commitment on the part of issuing houses to make firm prices in the secondary market. BZW is stressing that its issue carries the Barclays triple-A credit risk as well as having an extensive trading system.

Globex 'on target for launch early next year'

By Barbara Durr in Chicago

GLOBEX, the long-awaited financial futures electronic trading system being developed by Reuters and Chicago's two main futures exchanges, will not be affected by last week's postponement of its foreign exchange trading system, Dealing 2000, Reuters reports.

Although Globex's own launch date has frequently been put back, the Chicago Mercantile Exchange, where the initial idea of an after-hours electronic trading system took shape, says it expects the system to be ready by the end of the first quarter of 1991.

While the two systems – which automatically match trades – are virtually identical technologically, the issue of broken trades in Dealing 2000 has no bearing on Globex, according to Mr John Hull, head of Reuters' transaction products group and executive vice-president of Reuters America.

In the event of failed telephone lines or computer breakdown in the Dealing 2000 network, cash market foreign currency traders whose deals are broken will have their bids and offers cancelled automatically . The two dealers would then speak directly to straighten out the trade.

This is a change of procedure from the previous plan in which Reuters would intervene to correct the broken transaction.

Key differences in Globex avoid such issues. Foremost, trading is not directly between identifiable parties, but through a clearing house. In the event of a telephone, system or terminal failure, broken trades are to be handled through Globex Control, a manned command centre. Bids and offers will not be automatically removed from the system.

Liability for broken trades in Globex was a contentious issue earlier this year, but the CME says that it worked out a settlement to the satisfaction of the futures commission merchants that were concerned.

Securities houses in Japan setback

Robert Thomson in Tokyo

FOREIGN securities companies in Japan apparently suffered an overall 47 per cent fall in pre-tax profits in the six months ended September, prompting brokers to warn that several houses may be forced to restructure their operations.

The 46 foreign companies earned a pre-tax total of Y8.3bn in the period, but Y5bn of that was earned by Salomon Brothers, the US company, which notched up gains of 39 per cent, according to figures published yesterday in the Nihon Keizai Shimbun, Japan's leading economic daily.

Companies refused to confirm or deny the figures, which are apparently accounts submitted to the Ministry of Finance, but the published results reflect the severe impact of the Tokyo market slump on most securities houses, foreign and Japanese.

A British broker said that the most successful companies, such as Salomon Brothers, are those with multi-division activities and a strong presence in derivatives such as futures, warrants and convertible bonds.

Japanese officials say Salomon has also profited from its high profile arbitrage activities, which have drawn criticism from Japanese houses for allegedly destabilising the market.

The British broker said; "Trading volumes are down and I think that it's going to be pretty tough for some firms. The key for survival here is strength in derivatives and research. Some people are going to have to review their operations."

The combined revenue of the companies was reportedly Y135.8bn, up 5.6 per cent from the same period a year ago, and another broker yesterday questioned whether some houses are generating enough revenue to justify continuing their present operations in Tokyo.

Profit figures submitted to the Finance Ministry could paint an unduly gloomy picture of the foreign brokers' performance, as they tend to be compiled with Japanese tax authorities in mind. But there is also a desire to present favourable figures to attract clients and to prevent being labelled as a tax avoider by the ministry.

Still, it is clear that companies have been hard hit by the turbulence in Tokyo prices, and by the unusually low transaction volumes, which have continued into the second half, despite increased stability in stock prices.

Figures for individual houses, other than Salomon Brothers, have not been published, but it is understood that multi-divisional houses such as Goldman Sachs and Morgan Stanley have reported favourable figures, as has Baring Securities, which is strong in derivatives.

NZ report defends existing rules

THE NEW ZEALAND Securities Commission said problems caused in government bond futures trading last November would not have been so severe had the Futures and Options Exchange monitored trading more closely, Reuter reports from Wellington. But, in a report examining the difficulties, it has not recommended new laws as a solution.

"We think the problems would not have been so severe if the exchange had monitored trading more closely," it said. "We see no general policy reason for replacing the rules of the exchange with rules of law or for imposing a regime of daily oversight of the market and its participants by an independent agency."

The commission's report reviewed bond futures trading in 1989, including the circumstances in which Jordan Sandman Futures was expelled from the Futures and Options Exchange last December.

Jordan Sandman last November defaulted on a NZ$7.76m margin payment, forcing the exchange to invoice back all Jordan Sandman government bond futures and options contracts at prices fixed by the exchange.

The commission recommended that the exchange establish procedures for obtaining additional information about the covered and uncovered contract positions of its members.

"Both the exchange and clearing house should have access to this information," the commission said.

The commission recommended the exchange should consider imposing limits on the number of contracts that any member could enter in a futures market.

It recommended that the exchange consider strengthening its fidelity fund and broadening the circumstances under which a claim might be possible, especially by non-professional investors.

EC urged to reconsider directive

By Tim Dickson in Brussels

MR REGIS ROUSSELLE, chairman of the Council of French Stock Exchanges, yesterday called on Brussels to reconsider its approach to liberalising the European market for non-banking securities firms.

In a briefing between meetings with European Commission officials, Mr Rousselle said the proposed investment services directive will not, as it stands, lay the groundwork for a truly European stock exchange.

He was particularly concerned about what he called "the minimum architecture" in the proposed legislation, adding that he would like to see greater harmonisation in areas like disclosure and good conduct rules.

The directive on investment services – put forward by Brussels at the beginning of 1989 – seeks by the end of 1992 to enable any European investment firm to open branches and to provide a complete range of financial services throughout the EC in the same way that it can in its own home state.

Brussels hopes to reach provisional agreement at a meeting of EC finance ministers next month but Mr Rousselle's complaints – which he says are supported by other continental stock exchanges – are a sign that tough negotiations lie ahead.

Mr Rousselle is planning to put forward his alternative ideas in more detail over the next few days but he made clear yesterday that he was particularly unhappy about the development of "unorganised markets", or unregulated "off bourse" trading.

ERM boosts Liffe volume for October

By Deborah Hargreaves

TRADING volume at the London International Financial Futures Exchange received a boost in October from the UK's decision to enter the exchange rate mechanism of the European Monetary System. Liffe traded just over 3m contracts in October which represented a rise of 28 per cent from the previous month.

Average daily volume for the exchange increased to 132,780 contracts which amounts to a value of £34bn changing hands each day.

Mr David Burton, chairman of Liffe, pointed to the strong boost in activity in the exchange's sterling-based contracts which was prompted by the ERM announcement. The exchange's after-hours trading system, APT, registered a record volume of 31,659 lots on October 5 which showed a large increase from its previous record of 13,379.

The exchange's short sterling interest rate futures contract showed a 47 per cent leap in volume in October over its level in September, but volume was not as high as in the same period last year.

Liffe's options complex registered a record volume in October with 547,184 contracts traded. The short sterling and Euromark contracts came out ahead, both setting records.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday November 5 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Nov 2: Index No.	Thu Nov 1: Index No.	Wed Oct 31: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (195)	684.91	+0.4	16.07	6.95	7.60	33.01	682.12	681.95	689.71	873.08
2	Building Materials (26)	925.83	+0.6	15.86	6.60	7.77	40.76	920.20	916.49	933.07	1037.89
3	Contracting, Construction (34)	1120.08	+0.6	16.82	7.15	7.72	58.72	1113.02	1112.60	1130.87	1383.00
4	Electricals (10)	1770.15	+0.4	15.88	7.60	7.70	99.22	1762.48	1765.48	1795.40	2502.56
5	Electronics (26)	1556.82	+0.9	10.76	5.51	12.71	58.75	1542.62	1541.26	1555.86	1933.53
6	Engineering-Aerospace (8)	401.45	-0.8	16.86	6.07	7.13	17.27	404.77	404.70	409.57	0.00
7	Engineering-General (47)	348.06	+0.3	17.06	7.41	7.04	17.45	347.17	350.53	352.56	0.00
8	Metals and Metal Forming (8)	397.26	-0.9	28.68	8.41	4.24	17.97	400.82	403.24	399.31	455.68
9	Motors (13)	265.23	+1.0	19.10	9.07	6.10	17.45	262.64	264.91	269.63	363.00
10	Other Industrial Materials (23)	1114.75	+0.5	15.10	7.31	7.65	60.96	1109.54	1103.89	1115.47	1624.60
21	CONSUMER GROUP (178)	1180.63	+0.7	10.33	4.33	11.98	33.03	1172.77	1173.93	1188.76	1239.32
22	Brewers and Distillers (22)	1476.95	+0.3	10.59	4.00	11.44	33.62	1473.09	1463.81	1480.29	1379.44
25	Food Manufacturing (19)	986.92	+0.2	11.77	4.95	10.49	28.13	984.95	990.91	1007.63	1089.43
26	Food Retailing (16)	2279.77	+1.3	9.17	3.21	14.22	52.60	2249.49	2253.99	2252.66	2302.37
27	Health and Household (17)	2407.64	+0.9	7.35	3.09	16.09	50.32	2387.05	2389.56	2419.09	2483.85
29	Leisure (32)	1189.19	+0.7	12.60	5.45	9.61	44.58	1180.89	1175.22	1198.96	1544.25
31	Packaging & Paper (12)	475.05	+0.3	13.55	7.33	9.06	23.79	473.84	475.60	479.65	531.62
32	Publishing & Printing (14)	2840.56	+1.7	12.51	6.64	10.02	137.99	2793.19	2835.10	2868.11	3572.66
34	Stores (34)	793.38	+0.6	11.23	4.67	11.58	23.06	788.27	790.26	804.10	770.15
35	Textiles (12)	409.45	-1.0	14.58	8.67	8.70	25.55	413.52	415.41	420.30	510.98
40	OTHER GROUPS (106)	946.33	+0.6	13.05	6.20	9.33	32.20	940.38	940.74	951.28	1092.57
41	Agencies (15)	952.77	+3.5	11.19	3.50	10.82	22.70	920.30	908.59	898.48	1490.31
42	Chemicals (24)	998.82	+0.8	13.24	6.66	8.93	46.81	991.27	996.99	997.27	1166.70
43	Conglomerates (14)	1243.58	+1.4	13.63	8.04	8.84	38.53	1226.49	1220.99	1247.38	1564.89
44	Transport (14)	1795.27	+0.5	13.53	5.84	9.36	67.29	1787.16	1813.58	1842.77	2145.76
46	Telephone Networks (3)	1039.12	......	12.59	5.26	10.34	26.09	1039.34	1040.17	1056.05	1050.50
47	Water (10)	1923.19	-0.3	15.08	7.04	7.51	68.12	1928.50	1943.08	1975.11	0.00
48	Miscellaneous (26)	1518.03	+0.3	12.35	5.94	9.41	[illegible]	1513.01	1500.58	1508.51	1808.99
49	INDUSTRIAL GROUP (479)	986.94	+0.6	12.40	5.47	9.89	33.79	981.03	981.56	993.26	1116.93
51	Oil & Gas (21)	2302.70	+1.3	9.71	5.42	13.44	85.44	2273.14	2279.62	2275.12	2128.77
59	500 SHARE INDEX (500)	1094.43	+0.7	11.98	5.46	10.32	37.98	1086.69	1087.67	1098.25	1202.03
61	FINANCIAL GROUP (103)	665.48	+1.0	–	7.16	–	33.16	658.98	655.47	664.39	750.41
62	Banks (9)	695.90	+1.3	23.51	8.28	5.57	42.00	687.24	681.28	694.11	750.17
65	Insurance (Life) (7)	1255.72	+1.3	–	6.11	–	55.82	1239.28	1232.39	1256.57	1248.16
66	Insurance (Composite) (6)	569.02	+0.7	–	7.52	–	32.08	564.89	[illegible]	566.44	633.98
67	Insurance (Brokers) (8)	881.52	-0.1	8.53	7.29	15.36	41.94	882.07	880.42	882.60	1049.60
68	Merchant Banks (7)	344.99	+0.1	–	5.93	–	12.75	344.66	345.65	345.97	421.41
69	Property (45)	909.73	+1.1	8.05	5.37	16.39	27.11	899.87	906.75	908.12	1151.38
70	Other Financial (21)	242.38	......	11.72	7.41	10.96	12.21	242.37	244.41	243.45	318.12
71	Investment Trusts (70)	1001.43	+0.6	–	4.00	–	27.18	995.87	994.10	1005.35	1191.53
91	Overseas Traders (5)	1045.59	+0.8	13.68	8.84	8.71	69.98	1036.92	1055.38	1075.16	1376.23
99	ALL-SHARE INDEX (678)	989.77	+0.7	–	5.67	–	36.43	982.44	982.49	992.67	1094.19

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 2	Nov 1	Oct 31	Oct 30	Oct 29	Year ago
FT-SE 100 SHARE INDEX‡	2050.1	+19.4	2050.2	2030.0	2030.7	2028.0	2050.3	2033.9	2062.1	2169.6

FIXED INTEREST

	PRICE INDICES	Mon Nov 5	Day's change %	Fri Nov 2	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	118.41	+0.23	118.36	0.22	10.71
2	5-15 years	123.43	+0.41	122.93	–	11.95
3	Over 15 years	123.73	+0.54	124.00	0.94	10.78
4	Irredeemables	139.15	-0.04	139.21	–	13.46
5	All stocks	123.61	+0.35	123.33	0.15	11.55
	Index-Linked					
6	Up to 5 years	156.02	+0.07	155.91	–	3.04
7	Over 5 years	140.20	+0.23	139.88	–	3.45
8	All stocks	141.28	+0.21	140.98	–	3.42
9	Debentures & Loans	101.67	+0.23	101.83	0.40	9.69
10	Preference	72.36	-0.58	73.16	0.37	5.84

	AVERAGE GROSS REDEMPTION YIELDS		Mon Nov 5	Fri Nov 2	Year ago (approx.)
	British Government				
1	Low	5 years	10.45	10.56	9.96
2	Coupons	15 years	10.78	10.87	9.72
3		25 years	10.79	10.87	9.64
4	Medium	5 years	11.38	11.47	11.11
5	Coupons	15 years	11.23	11.28	10.09
6		25 years	11.12	11.16	9.75
7	High	5 years	11.49	11.58	11.23
8	Coupons	15 years	11.45	11.50	10.30
9		25 years	11.41	11.42	9.89
10	Irredeemables†		10.94	10.93	9.72
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.89	3.91	3.68
12	Inflation rate 5%	Over 5 yrs.	4.31	4.33	3.63
13	Inflation rate 10%	Up to 5 yrs.	2.69	2.70	2.86
14	Inflation rate 10%	Over 5 yrs.	4.13	4.15	3.47
15	Debs &	5 years	13.36	13.34	13.82
16	Loans	15 years	12.87	12.86	12.44
17		25 years	12.50	12.50	11.94
18	Preference†		13.08	12.98	10.70

‡Opening index 2038.0; 9 am 2050.2; 10 am 2047.4; 11 am 2043.8; Noon 2040.0; 1 pm 2040.4; 2 pm 2044.1; 2.30 pm 2044.5; 3 pm 2044.2; 4.10 pm 2048.9; (a) 9.00am (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	74	4	8
Corporations, Dominion and Foreign Bonds	4	4	13
Industrials	386	305	856
Financial and Properties	213	92	438
Oils	22	21	48
Plantations	1	0	9
Mines	22	50	81
Others	76	55	74
Totals	798	531	1,527

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	131	86	ABI Leisure 10p	86	-2	[illegible]	3.3	7.5	[illegible]
155	F.P.	–	160	155	Brabant Resources £1	155		–	–	–	–
2	F.P.	–	4½	3	Finlan Group 1p	3½		–	–	–	–
†	F.P.	–	75	43	Golden Vale Ir1p	46		[illegible]	5.1	3.2	8.4
–	F.P.	–	24	18	JF Fledgeling Jap. Wrnts	18		–	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	F.P.	–	100	[illegible]	Bluebird Toys 12pc Cv. Uns. Ln. 2005	68	
100p	F.P.	28/9	102p	91p	Perkins Foods 8p (Net) Cv Rd Pf	93p	+2
100p	F.P.	–	121p	106p	Reckitt & Colman 9.5pc Cv Bds 2005	117p	+2½
100	F.P.	–	110½	101¼	Tesco Capital 9pc Cnv. Cap. Bd. 2005	106¼	+1
100p	F.P.	–	105p	45p	Wyndham Group 9.375pc Cm.Pf	50p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
100	Nil	–	10pm	2¼pm	Arcadian Intl.	2¼pm	
77	Nil	–	13pm	8½pm	Bryant Group	10½pm	
140	Nil	–	5pm	3pm	MTM 5p	3pm	-1
5	Nil	–	8pm	4pm	Sycamore Hldgs. 5p	4pm	
55	Nil	–	½pm	¼pm	Virat Hldgs.	½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¥ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. ¢ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Oct. 29
- Last Dealings Nov. 9
- Last Declarations Feb. 7
- For settlement Feb. 18

For rate indications see end of London Share Service

Calls in Aviva Pet., Lonrho, McInerney Props., Meekatharra and Tuskar Res. Puts in Amstrad and Ratners.

LONDON TRADED OPTIONS

THE LONDON equity futures market led the stock market higher yesterday, although derivative trading levels were low, with the London Traded Options Market having one of its quietest days this year.

Stock index futures opened firmer after the strong close on Wall Street and moved to premium of 40 points above the FT-SE 100 index. During the afternoon, retail interest virtually dried up and the market drifted within a narrow range.

December FT-SE closed at 2,092, up 32 points on the day. December also finished 42 points over the cash index, compared with the 30-point fair value premium which brokers estimate accounts for future dividend payments and the cost of finance.

In the traded options market dealing was subdued. One analyst said the continuing worries over the Gulf and the gloomy news from UK industry discouraged investors.

A total of 19,725 options changed hands, down from Friday's already depressed levels. Activity was evenly divided between calls and puts. The FT-SE options traded 8,781 lots, which was weighted towards puts. The January 2,000 puts were the most popular, after a US house was said to have bought 1,000.

Dealing in stock options was again concentrated among a handful of the more liquid contracts. Rolls-Royce was the busiest and traded 3,603 lots. The larger trades included the purchase by one broker of 1,000 December 180 calls and the sale by another of 700 December 240 puts.

Fison was next on the list at 1,270 lots. One of the bigger trades was the sale of 300 February 390 calls and 300 February 330 puts.

British Telecom featured after its shares fell following a broker's profit downgrading. James Capel bought 250 February 280 puts and 100 November 260 puts.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*470)	420	60	75	80	6	11	15
	460	32	48	55	19	24	29
	500	15	28	35	46	45	50
ASDA (*128)	110	23	26	–	2½	4	–
	120	16	20	24	5½	8	9½
	130	10	14	18	9	12	14
Trafalgar (*176)	160	28	31	34	10	16	22
	180	16	21	24	22	27	32
Utd. Biscuits (*317)	300	32	38	44	7	14	16
	330	14	22	28	22	27	30
Unilever (*640)	600	66	82	95	14	22	27
	650	34	52	67	35	43	52
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Amstrad (*60)	60	5	9	10½	5	8	9
	70	2	5	7½	12	13½	14½
Barclays (*341)	330	26	40	47	12	23	25
	357	12	–	–	25	–	–
Blue Circle (*200)	200	12	23	26	8½	14	20
	220	4	14	17	23	26	31
British Gas	200	21	27	34	2	6½	7½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO FT-SE INDEX (*2049)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE INDEX (*2049)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Prowting almost halved to £5m as recession bites

By Andrew Taylor, Construction Correspondent

PRE-TAX PROFITS of Prowting, the Ruislip-based housebuilder, were almost halved from £9.71m to £5.03m during the six months to August 31 as the recession in the UK housing market has continued to bite.

Mr Terry Roydon, chief executive, said that in many cases developers were selling houses well below their replacement costs. As a result the average selling price of a Prowting home had fallen by about 10 per cent.

"Many of our competitors have decided it is essential for them to achieve higher volume sales and have therefore been making significant price cuts," said Mr Roydon.

"We are continuing to resist over-enthusiastic discounting as far as possible. The operating margin of 29 per cent still compares reasonably with the 37 per cent earned in the first half of last year," he said.

Earnings per share fell from 9.5p to 4.7p as sales tumbled from £30m to £23.3m. Despite the fall in profits the interim dividend has been maintained at 1.7p.

Group borrowing at the end of August was £26.9m, representing gearing of 35 per cent.

Mr Roydon said: "We are comfortably within our overall bank facilities of £63.9m and in a good position to take advantage of opportunities for land purchase when they arrive.

"Prolonged high interest rates coupled now with the more recent uncertainty about the situation in the Gulf continue to affect purchaser confidence. However the fall in house prices combined with the current pace of wage settlements is leading rapidly to significant improvements in the ratio of house prices to income."

Mr Roydon said that lower mortgage interest rates following the UK's entry into the European exchange rate mechanism might encourage would-be purchasers to buy and take advantage of lower house prices.

Amber Day up 47% with help from discount shops

By Andrew Jack

A STRONG performance from What Everyone Wants, the northern and Scottish discount shopping chain, helped raise pre-tax profits by 47 per cent in Amber Day Holdings, the fashion retail group, in the 52 weeks to July 28.

Amber Day, which owns the Review and Woodhouse menswear chains, yesterday reported pre-tax profits of £3.02m, compared with £2.06m in the previous year. Turnover rose to £31.24m (£15.69m).

What Everyone Wants (WEW), acquired in June for £46.7m, contributed operating profits of £1.54m during the period. Review was down slightly to £900,000 (£1m), while Woodhouse reported operating profits of £400,000, compared with a loss of £700,000 last year. Dennis Day, the company's import division, was stable at £400,000.

The company now operates some 65 stores in secondary sites across the UK, including five added to the WEW chain since it was purchased. Mr Philip Green, chairman and chief executive, said he planned to expand organically, adding a further dozen or more stores over the year.

Amber Day also owns five shops in Japan and Hong Kong, and hopes to open further sites.

"My philosophy is to squeeze overheads and margins," he said. "I'm not a chaser of turnover." He added that he would not be issuing any new paper during the year.

He also announced that famous brand-name perfumes will be available from this weekend in his stores at a substantial discount.

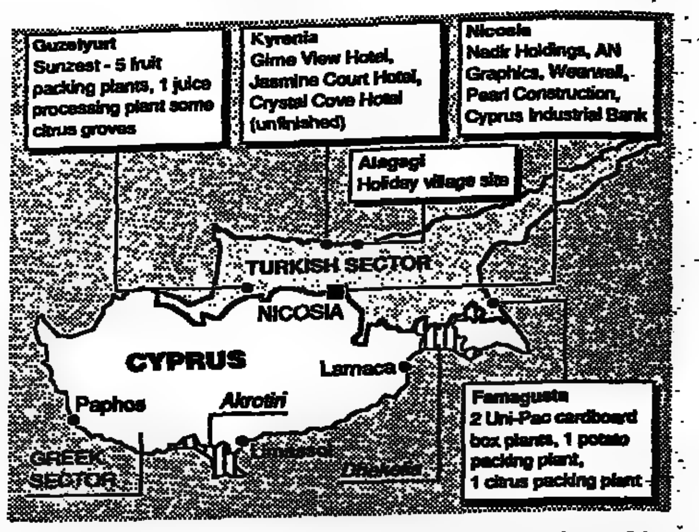
There is an extraordinary debit of £850,000, of which £250,000 covers the costs of several abortive acquisitions, including an attempt to take over Moss Bros in September 1989. The remainder is a write-down of the company's freehold headquarters in London.

Earnings per share rose to 4.04p (3.46p), when fully diluted to allow for the five-for-eight rights issue to help pay for WEW. The directors recommend a final dividend of 1.3p (1p) making a total of 2p (1.5p) for the year.

The company's shares closed up 1p at 59p on the day.

Cutting through the ties of blood and marriage

Richard Donkin on the problems the Polly Peck administrators face with the Turkish Cypriot operations



THE PRACTICALITIES of taking control of the most powerful corporate operation in northern Cyprus will confront the Polly Peck administrators as soon as they step off the aircraft at Ercan airport, if they enter the island this week.

If they need any reminder of the influence enjoyed by Mr Asil Nadir in this fragile state, recognised only by Turkey, they should visit his family plot in the cemetery just outside Nicosia. While most Muslims accept simple grave plots, there are two large exceptions adjoining each other – enclosed family plots each covering about an acre. One belongs to the family of President Rauf Denktash, the other to the Nadir family.

This Pharaoh-like symbol of family power is easily understood by a Turkish Cypriot community where the bonds formed by blood and marriage transcend those of political or corporate loyalty.

Though Mr Denktash enjoyed powerful support from Mr Nadir's newspapers in the presidential and governmental elections last spring – Mr Nadir owns four titles through his publishing company, AN Graphics – Mr Nadir's most firm political ties would appear to be with Mr Dervish Eroglu, the prime minister and leader of the National Unity Party.

One of the strongest family ties with the Denktash line has been developed by Mr Salih Boyaci, chairman of Cyprus Credit Bank, and a business rival to Mr Nadir. Mr Boyaci's daughter is married to Mr Serdar Denktash, the president's surviving son who was catapulted into national politics when he stood in the last general election and afterwards was appointed minister of the interior.

Mr Serdar Denktash was the only minister to oppose the government's decision to buy Salamis Bay Hotel, near Famagusta, from Mr Nadir when he was trying to raise cash last month to stave off the banks. Mr Boyaci had originally competed with Mr Nadir to buy the hotel.

It is too early to say whether the family alliance between Mr Serdar Denktash and Mr Boyaci will work against Mr Nadir's interests but Mr Boyaci is recognised by many as the most powerful businessman of the island who will not take kindly to Mr Nadir's reception as a returning prodigal son.

He has also felt the sting of Mr Nadir's press which did not overlook the recent Cyprus Credit Bank decision to stop overdraft facilities for most of its depositors.

Mr Boyaci said that the move on overdrafts was symptomatic of northern Cyprus beginning to feel the economic pinch of the Polly Peck collapse.

It is difficult to assess how deeply the affair will bite into the economy. A number of other factors, not least financial aid supplied by Turkey, have maintained a surprisingly healthy economic veneer.

Cyprus has a growing source of income from the Turkish mainland in its four universities whose low academic demands provide a way for rich young Turks incapable of passing the mainland university entrance exams to avoid conscription by enrolling at one of the Cyprus institutions.

"They bring with them their flash cars and their money. They are not very interested in education," said a teacher at one of the universities.

Another useful contribution to the economy is the construction of private holiday homes for mainland Turks and members of the 70,000-80,000 strong Turkish Cypriot community in the UK, and others in Germany and Australia.

When the 1974 war led whole communities to move from each side of the island to create separate Greek and Turkish sectors, there was a net emigration to the south. Some 200,000 Greeks fled south, compared with 40,000 Turks who fled north.

The ratio of five to one has proved particularly useful to north Cypriots in the distribution of land and property. Property was designated using points handed out to match land and homes left behind.

Mr Nadir benefited more than most from government land and property share-outs. He had been rented three stretches of beach on the north Cyprus coast – at Karsiyaka, Alsancak and at Alagagi, where he was preparing to build a holiday village.

Other rental deals covered the Voyager Hotels, Girne View, Jasmine Court, Palm Beach and the still unfinished Crystal Cove. The few flabby forms around the pool of the Palm Beach hotel in Famagusta last week gave some idea of the fall-off in tourism, partly seasonal and partly because of the Gulf crisis – another pointer to the economic realities facing the administrators.

Just beyond the hotel the bay curves into the no-go area of Varosha and the Beirut-like complex of waterfront hotels and apartments. Empty and silent, the buildings stand like a Cecil B de Mille set to some celluloid drama about the end of the world.

This surviving backcloth to the war and the 11 years of Greek oppression of the Turkish minority before the Turkish invasion of the island is a daily reminder that Turkish Cypriot unity overrides most personal differences within the business community. The mere suggestion of Greek Cypriot skulduggery behind the downfall of Polly Peck is enough to close ranks in protection of the Nadirs.

President Denktash has indicated he will nationalise Polly Peck businesses on the island if they are in danger of being shut down. The northern Cypriot government, however, is unlikely to challenge the rule of law which should give some protection to the administrators.

According to northern Cyprus law, the administrators have the same status as directors which gives them access to company accounts in spite of the injunction obtained by 11 farmers preventing access to Polly Peck accounts on the island by all outsiders but the board and the company accountants.

Mr Denktash knows, also, that his government is hardly in a position to nationalise anything if the move involves heavy investment. Suggestions that Cypfruvex, the state-owned fruit exporter, could take on Polly Peck's Sunzest operations in the citrus groves around Guzelyurt has been dismissed by some of the farmers there.

Mr Kemal Bektash, a Guzelyurt farmer with five acres of citrus grove, said: "My contract is with Sunzest. If Sunzest cannot honour it, I shall go elsewhere, but I shall not go to Cypfruvex. It never gave me a good price in the past."

The farmers flocked to Sunzest when the company gave them advance payments, sometimes equal to the full price of their crop and six months ahead of the picking season. With inflation running in the region of 65 per cent it made a large difference to farmers' profits. This year, however, the farmers said they received no more than a fifth in advance of the price they would expect to achieve.

Whether the administrators will view the Sunzest packing and squeezing plants around the town to be a viable concern is something that worries the farmers who are hoping for an alternative buyer for their crop which, say some estimates, has a total value of not much more than £10m.

Sunzest has five fruit packing plants and one juice processing plant on sites around the town. It also a potato packing plant and a citrus packing plant in Famagusta where Uni-Pac, the Polly Peck subsidiary, also runs two cardboard box manufacturing factories. Most, if not all, of the land is rented as are some of the buildings, leaving little scope for asset stripping.

In the meantime the farmers are awaiting a buyer for their crops – the orange picking season starts in January.

One of them told me: "We thought you were a fruit buyer at first. Surely somebody will come along and buy our crop, won't they?"

Nadir claims political interference

MR ASIL NADIR, chairman of Polly Peck International, last night compared his company's creditors to "sharks attacking a wounded whale", but he told Turkish television viewers he was still optimistic about the future of the group, writes David Barchard in Instanbul.

Extracts from an interview with Mr Nadir recorded last week in his Berkeley Square offices by Turkish State Radio and Television, and published yesterday in the Istanbul daily newspaper Milliyet, show Mr Nadir in a somewhat different light from an interview on BBC TV at the weekend.

Mr Nadir said his recent problems had been caused by international political pressures linked to the Cyprus dispute. He said that if he had not been of Turkish origin and invested heavily in Turkey and Cyprus, he would not have faced his present troubles.

He said he would be willing to give in to the pressures to shut down his investments in Cyprus only if the government in the Turkish-controlled sector was internationally recognised.

He admitted to having made two mistakes: one was to rely too heavily on short-term borrowing and the other was to underestimate the role played by politics in business.

Mr Nadir avoided criticising Turkish President Turgut Ozal for not coming to his rescue, but conveyed the impression he was unhappy about the way that he had been treated.

Nonetheless, Mr Nadir said he believed that by working with the administrators and banks over the next five or six months, it should be possible to save Polly Peck. "You will see," Mr Nadir said. "Very soon you will be confronted with a much sounder and stronger Polly Peck."

Thos French warns of setback

ANNOUNCING the sale of its surface heating business Thomas French, the curtain tapes and home improvements manufacturer, warned shareholders yesterday that group results for the second half of the year ended September 30 1990 would show a 'small loss', writes Andrew Jack.

The shares closed 3p lower at 48p.

The forecast loss compares with a first half profit of £507,000 - against £1.06m in the 1989 period. The loss was caused by weak UK demand and high interest rates , combined with £600,000 in reorganisation and product development costs.

A 'modest profit' is expected for the full year.

French is selling its surface heating business to Burnfield, the electrical surface-heating group formerly known as Isopad, for £2.55m.

This business made pre-tax profits of £486,000 (£221,000) in the year to September 30, but with "maintainable profits" of £380,000. Net assets are £610,000.

Mr Ian Staples, chief executive of Burnfield, said the business, which is currently based in Thomas French's premises in Manchester, would be moved to Weston-super-Mare and said there would be job losses from the workforce of 38. He said the sale would be achieved through the issue of 1.87m ordinary shares.

The sale will reduce gearing at Thomas French to less than 25 per cent, said Mr Jeremey French, chairman.

"Our intention for a long time has been to focus on consumer products. "This completes the circle of peripheral disposals."

Burnfield reported a restructuring of its UK manufacturing operations over the past half year. Six separate locations have been consolidated on its Isopad site in Weston-super-Mare, which has been upgraded and reorganised.

The company also announced a decline in pre-tax profits to £651,000 for the six months to July 31, compared with £702,000 in the corresponding half. Turnover rose to £8.6m (£6.4m), mainly as a result of the contribution from Heraeus Wittman, the German electrical surface heater manufacturer acquired in October 1989.

Fully diluted earnings per share fell to 3.1p (3.2p). The dividend is maintained at 1.65p. Burnfield's shares rose 2p to close at 176p.

Board changes at Hickson

HICKSON INTERNATIONAL, the chemical, timber protection and merchant distribution company based in Castleford, Yorkshire, yesterday announced extensive boardroom changes after the disappointing results and sharp fall in its share price, writes Andrew Bolger.

Mr John Marvin has resigned as non-executive chairman and will leave the company.

He had been chief executive for five years until 1989, when he became deputy chairman and then non-executive chairman.

Mr Tom Robson has been appointed executive chairman. He has worked for the group for 27 years, becoming an executive director in 1983 and group chief executive last year.

The position of chief executive is taken by Mr Ken Schofield. He was the executive director of Hickson responsible for Manro Surfactants, the business which he founded and which was acquired by Hickson in 1988 for £18m.

Mr David Swallow has been appointed non-executive deputy chairman. He has was formerly chief executive of RTZ Chemicals and joined the Hickson board in June.

The new chairman said: "These mutually agreed board changes are part of the group's longer-term operational development. They reflect our intention to concentrate further executive management time on Hickson's day-to-day operations."

Hickson shares yesterday closed 2p higher at 122p – less than half the level of 245p they touched in January.

The shares fell in April after Mr "Black Jack" Dellal sold his 12.9 per cent stake in Hickson, ending his near two-year involvement and accompanying bid speculation.

In August the group reported a 10 per cent decline in pre-tax profits to £18.3m, in spite of a 6 per cent increase in turnover to £21.6m.

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UK COMPANY NEWS

Renold shares tumble 26p as profits fall 48%

By Andrew Bolger

SHARES IN Renold yesterday fell 26p to 57p after the Manchester-based maker of power transmission products and machinery reported a fall in profits and warned about its trading outlook.

Pre-tax profits declined by 47.5 per cent, from £4m to £2.1m, in the six months to September 29. Turnover was flat at £65.4m (£65.2m, excluding business sold £6m), but earnings per share plunged nearly 59 per cent to 1.9p (4.6p). The interim dividend is maintained at 1.2p.

Mr Peter Frost, chairman, said that trading conditions had weakened since July and, as a result, profit for the full year would be well down on the previous £9.4m. Providing there was no weakening in the group's major markets, he expected profits in the second half to exceed those of the first, as in previous years.

Mr Frost said the results for the half year reflected weaker markets, together with greater than expected disruption caused by the fundamental reorganisation of the group's chain business.

Progress in modernising that business, including investment in advanced production equipment, would continue throughout the second half, and benefits from this strategy should start to be realised during the next financial year.

The move of the major Manchester Chain factory to the new site at Stockport was now completed, and the less complex move of the clutches and couplings factory at Cardiff was due to commence shortly.

The physical separation of the selling operations in the UK, France and Germany from their local factories was in progress. The international distribution centre at Stockport was already operating and linking the separate national sales companies and factories.

In spite of this significant investment, the interest charge had been eliminated, reflecting the benefit from the sale of Manesty Machines and tight management of working capital.

Belgian rescue for Sutcliffe

By Andrew Hill

A £6.5m cash deal with a Belgian company has rescued Sutcliffe Speakman from the jaws of receivership.

It has sold most of its environmental engineering division to the Brussels-based industrial supplies and services company Groupe Fabricom.

Fabricom approached Sutcliffe, investigated the environmental engineering businesses and signed the deal in the space of three days last week, after Sutcliffe's shares were suspended on the Monday at 45p.

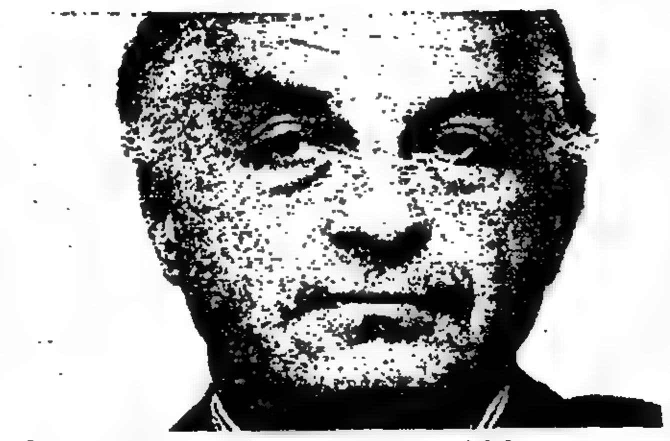
It is believed that pressure from its bankers would have forced Sutcliffe to appoint receivers on Friday or yesterday had a solution not been found.

The group said yesterday it hoped the temporary suspension of its shares would be lifted once a circular was sent to shareholders explaining the reasons for the deal. That should be published in the next three to four weeks.

Fabricom will pay £6.5m in cash for the businesses, which are involved in water treatment and filtration. About £1m is being held back until completion accounts are finalised.

The businesses sold generated £1m in operating profit in the year to March 31, from £11.6m of turnover.

The Belgian group has also taken on £2.8m of bank debt and has in effect written off £3m of inter-company borrowings. The disposal should reduce Sutcliffe's borrowings to about £13m, against £16m of shareholders' funds.



John Bellak: there are a lot of things still need doing

Mr John Bellak, chairman of Sutcliffe, said yesterday: "There are a lot of things still need doing, but clearly the situation is a great deal healthier than it was."

He would not comment further except to add that the group would do whatever was in the best interests of the shareholders. However, it is thought that Sutcliffe is still reviewing the future of its activated carbon operations and has not ruled out further disposals.

Sutcliffe's share price collapsed in August after Mr Bellak warned that a "substantial loss of profitability" in the carbon division would lead to a pre-tax loss for the first six months of 1990-91.

If the Stock Exchange agrees to lift the temporary suspension, the group will become one of only a handful of quoted companies which have taken the curse off the bland phrase "pending clarification of its financial position" in a formal announcement.

The expression is one of a short list approved by the Stock Exchange as an explanation of why shares have been suspended, but in recent months investors have learned to dread it as a potential harbinger of impending financial collapse or seemingly indefinite suspension.

Boardroom shake-up at Telfos

By Andrew Bolger

TELFOS HOLDINGS, the Leeds-based locomotives, rolling stock, investment and property dealing group which last month accepted the resignation of its chief executive, yesterday announced further extensive boardroom changes.

Mr Geoff Rowley has been appointed joint managing director. He will share executive responsibility with Mr Edward Duke, who was appointed managing director after Mr Jonathan Malins resigned as chief executive on October 22.

Mr John Beaumont has resigned as finance director and Mr David Macfarlane has retired as company secretary. Mr RV Dingle has been appointed group financial controller and company secretary. Mr Terry Jefferies, managing director of Hunslet Transportation Projects, joins the board.

Last week Telfos made a £7.1m provision against investments and contingent liabilities following a review of the group's non-core activities.

Telfos shares closed 14p higher at 80p yesterday, but are still below the 100p level they were before Mr Malins resigned.

Wm Cook advances by 55% to £5.8m

By Andrew Bolger

WILLIAM COOK, the acquisitive Sheffield-based steel foundry group, has reported a 55 per cent increase in pre-tax profits, from £3.74m to £5.8m, in the six months to September 29.

Turnover advanced 65 per cent to £70.43m (£42.64m). Earnings per share were slightly down at 20.5p (20.93p), but the interim dividend is lifted to 5p (4.5p).

Mr Andrew Cook, chairman, said the group was now encountering difficult trading conditions because of the recession and the high value of sterling against the dollar and European currencies. But he was confident that profits for the full year would show a satisfactory increase over last year's £9.52m.

He added: "I am, however, unable to see a single advantage to your company ever resulting from Britain's membership of the ERM at the current over-valued exchange rates."

Mr Cook said that, having completed a major acquisition programme last year, the group was in the advantageous position of being able to close considerable quantities of inefficient capacity, concentrating its resources and investment on the most efficient plants.

To this end, the Newcastle factory of George Blair was already running down prior to closure early next year and this would be followed by the Aycliffe facility, thereby concentrating Blair's activities from four sites to two.

Mr Cook said: "We also expect to close the Chesterfield plant of William Cook Steel Castings before the end of the financial year, thus concentrating their manufacturing activities on a single site at Parkway.

"This too will greatly assist manufacturing efficiencies and improve margins.

"Both the Newcastle and Chesterfield sites are prime city-centre locations and in due course we expect to realise significant sums through their sale."

Large-scale workforce reduction had taken place at Lloyds Burton, where a total head count of 550 at the time of acquisition had been reduced to under 400, thereby maintaining profitability on a reduced order book.

An investment programme was about to begin at Lloyds Burton, concentrating on the specialist market areas where it had the greatest expertise. Further efficiency drives were taking place at Catton and HPC, with benefits already coming through.

Directors pay 42% extra for Richmond Oil shares

By Steven Butler

TWO DIRECTORS of Richmond Oil & Gas have bought £2.8m of Richmond shares from Girozentrale Gilbert Elliott, the stockbroker, at a 42 per cent premium to the current market value of the shares.

The purchase relieves Girozentrale of about half the 4.49m shares left with it when a share placement arranged by Girozentrale fell through during Richmond's recent £32.5m rights issue. A dispute over whether the shares were actually placed could result in litigation.

The shares were originally issued at 125p each, compared with yesterday's closing of 88p.

The shares were purchased by Richmond's joint managing directors; Mr David Wilkinson, who bought 280,000, and Mr Michael Hogue, who purchased 1.96m.

The purchase was financed by a loan from County NatWest, the underwriters of the rights issue. County itself was left with 5.5m shares when other investors failed to reconfirm purchase commitments when given the option to pull out. It has pledged to hold the shares for an extended period unless the market price climbs above 125p.

Mr Wilkinson said yesterday that he and Mr Hogue hoped to buy more Richmond shares from Girozentrale but that their assets had been fully offered for collateral and they could not raise more funding. The directors offered two shares currently held as collateral for each share purchased.

Mr Wilkinson said that Richmond's oil and gas activities in the US were unaffected by the turmoil over the failed rights issue, which was fully underwritten by County NatWest.

Richmond shares fell below the rights offer price immediately after announcement of the issue. Funds raised were used to buy the Johnson Ranch properties in the US and provide working capital.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
AB Foods	int	3.7	Mar 5	3.3	-	11
Amber Day	fin	1.3	Dec 21	1	2†	1.5
Bellarwere	int	1.35	Dec 5	1.075*	-	3.65*
Burnfield	int	1.65	Dec 7	1.65	-	5.5
Cook (William)	int	5†	Jan 3	4.5	-	12.5
Prowting	int	1.7	Dec 10	1.7	-	6
Renold	int	1.2	Jan 25	1.2	-	3.7
Safeland	int	0.7	Mar 22	1.6p	-	3.04
Smith Estates §	int	1.1	Jan 17	1	-	3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Comss, GEI Intl., German Inv Trust, German Smaller Co's Inv Trust, Henderson Administration, Rechem Environmental Services.

Finals- Tiger Oats, Wharfedale.

FUTURE DATES

Interims-

AAH	Nov. 19
Alan Paul	Nov. 19
American Business Systems	Nov. 12
Bulgin (A.F.)	Nov. 22
Bulmer (H.P.)	Dec. 12
Cleves	Nov. 7
Grampian Television	Nov. 20
Great Portland Estates	Nov. 13
Hadleigh Industries	Nov. 14
Johnson, Fry	Nov. 28
King & Shaxson	Nov. 6
Mercury Asset Management	Nov. 12
Merrydown Wine	Nov. 28
Powell Duffryn	Nov. 22
Premier Group	Nov. 8
Sanders & Sidney	Nov. 15
Smith St. Aubyn	Nov. 8
Tex Holdings	Dec. 3
Volex	Nov. 22
Warburg (S.G.)	Nov. 13

Finals-

Bridport-Gundry	Nov. 12
Carr's Milling Inds.	Dec. 11
Concentric	Nov. 16
Jessups	Nov. 14
Manganese Bronze	Nov. 12
Metro Radio	Nov. 13
Thornton (S.W.)	Dec. 19

COMPANY NEWS IN BRIEF

DORFLEX PROPERTIES has completed the purchase of the freehold of units 1-4 at Hawksworth Industrial Estate, Swindon, for £2m cash, from Bryant Properties.

ELLIS & EVERARD, chemical marketing and distribution group, has agreed to buy Indchem, a commodity chemical distributor, based in Georgia, for $2.5m (£1.3m) cash. In the year to September 30 Indchem had sales of $12.3m and profit before tax and non-recurring items of $0.4m.

MERGER Clearance: The Trade Secretary has decided not to refer to the Monopolies Commission the proposed acquisition by Severn Trent of Caird Group.

MOSAIC Investments, on behalf of its Kenilworth Components subsidiary, has completed the acquisition of the injection moulding division of Langham Packaging. Maximum consideration is £1.35m.

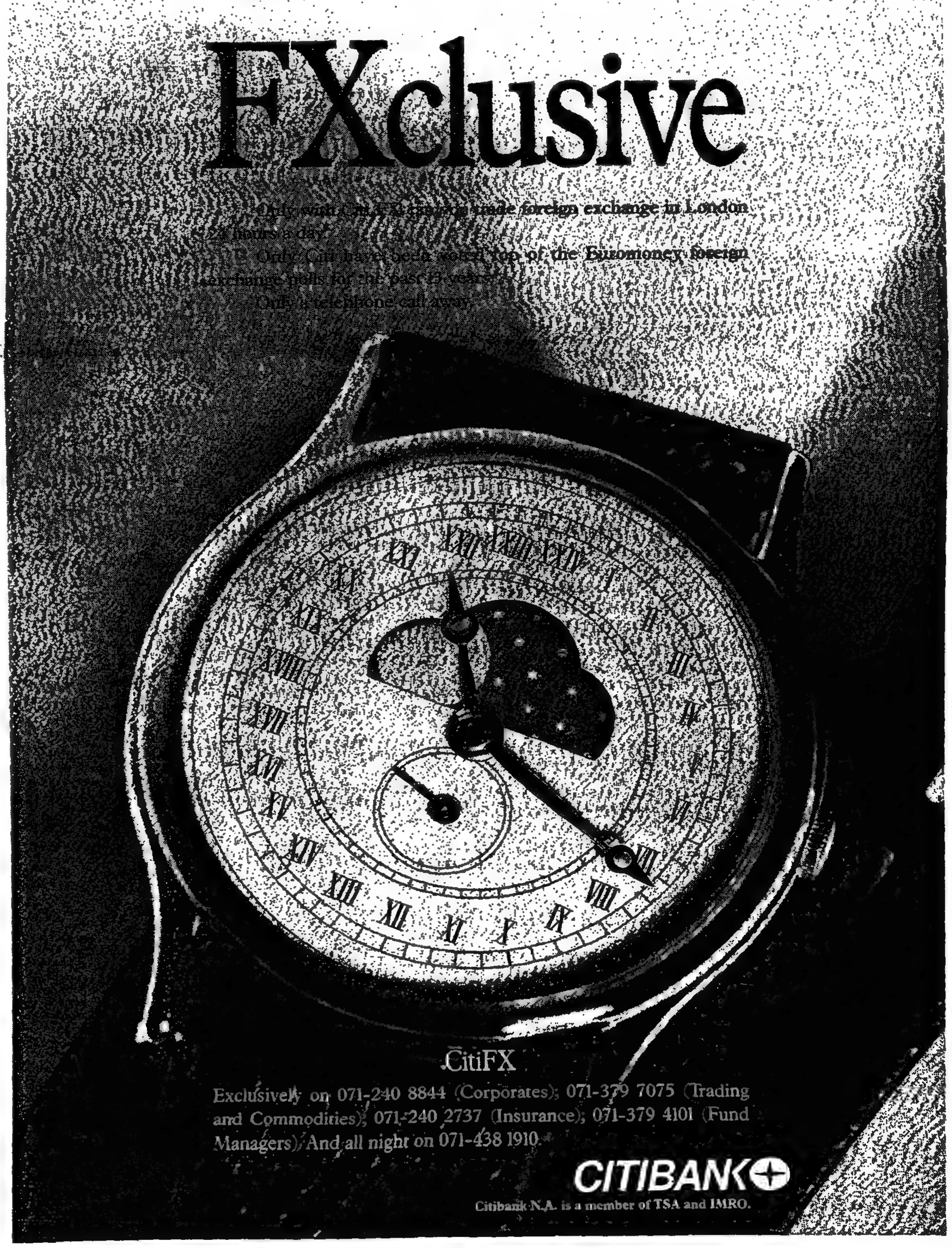
PENDRAGON, the luxury and executive car distributor, has been awarded two new Jaguar franchises, in Swansea and Stourbridge.

PRIESKA COPPER MINES LIMITED
Incorporated in the Republic of South Africa
Reg. No. 68/03032/06

As shareholders are aware, the continuance of operations has been under periodic review over the last two years. The profitability of the Company's underground mining and related surface operations has, of late, become particularly sensitive to the SA rand prices applicable to the payable copper and zinc contents of concentrates produced.

With the forseen continuation of the recently experienced downtrend in both the sterling copper and US dollar zinc prices, coupled with the relative strength of the SA rand against the US dollar, any future operations based on the rapidly decreasing availability of underground ore, supplemented by material from surface dumps, are unlikely to yield operating profits. Accordingly, the Company's underground mining and related surface operations will cease during the first quarter of 1991 unless there is clear evidence, prior to the end of December 1990, of a near term reversal of the current downtrend in the SA rand prices for copper and zinc.

JOHANNESBURG
5 November 1990



Associated British Foods

Half Year Progress Report

	Six months to 29 September 1990*	Six months to 30 September 1989*	Year to 31 March 1990
	£ million	£ million	£ million
Turnover	1,367.0	1,271.0	2,774.7
Trading surplus	66.9	64.1	159.3
Interest payable	2.1	3.1	7.0
	64.8	61.0	152.3
Investment income	67.5	50.3	131.5
Profit on ordinary activities before tax	132.3	111.3	283.8
United Kingdom tax	24.3	21.0	54.1
Overseas tax	18.9	15.4	36.6
Profit on ordinary activities after tax	89.1	74.9	193.1
Minority interests	2.8	2.4	5.5
Profit on ordinary activities attributable to the company	86.3	72.5	187.6
Extraordinary items	—	0.5	79.6
	86.3	73.0	267.2
Ordinary dividends			
1st Interim	16.5	14.7	14.7
2nd Interim	—	—	34.6
Earnings per share before extraordinary items	19.2p	16.2p	41.9p

Half year figures unaudited.

The Chairman, Mr. GARRY WESTON, reports:

The profit before tax for the group has increased by £21.0 million or 19 per cent to £132.3 million. After providing for taxation and minority interests, the profit attributable to the company shows a similar increase at £86.3 million.

Worldwide sales increased by 8 per cent to £1,367 million whilst the trading surplus was 4 per cent higher at £66.9 million.

In the United Kingdom, although sales increased by 8 per cent to £893 million, trading profits at £36.1 million were £2.8 million lower than in the first half of last year. After a reasonable start to the year by our manufacturing companies the profitability of our bakery division suffered erosion through heavy competition and a general fall in bread consumption in part due to prolonged periods of warm weather, a factor which also contributed to relatively poor sales performance from the company's retail bakery and light catering outlets. Whilst the warmer conditions adversely affected our canning operations they were a major factor in the sales and profit growth of our ice cream division. Our retail grocery companies in Northern Ireland, following the adoption of a more aggressive trading profile announced last year, made significant progress and sales and profit growth are in line with forecasts.

Overseas sales at £474 million and trading profits of £30.8 million increased by 7 per cent and 22 per cent respectively with currency realignments having minimal effect on these results. George Weston Foods in Australia showed satisfactory results. Sales and operating profits, including some property sales, increased by 6 per cent and 17 per cent respectively, although the continuing rationalisation of the New South Wales bread operations again affected results. Australian results have been converted at 2.26 dollars to the £.

Group investment income has increased by £17.2 million to £67.5 million. A significant element of this increase is that the year ago figure included only three months' income on the amount realised from the sale of our investment in the Gateway Corporation in June 1989. The income arising as a result of the increase in the general level of interest rates was offset to some extent by the absence of an interim ordinary dividend from Berisford International.

Whilst we expect a satisfactory performance from our operating divisions for the remainder of the year, the results for the full year will be affected by the trend of interest rates in the United Kingdom and the adverse movement in the Australian exchange rate since the end of the half year. The 19 per cent growth in profits at the half year will not be maintained in the second half, as allowance must be made for the special factor of the income from the Gateway proceeds and the fact that the second half results last year included the larger Berisford final dividend.

As indicated at the time of the 1990 Annual General Meeting we shall be reviewing the value of the investment in Berisford International at the time of the presentation of the full year's results. The adjustment will be dealt with as an Extraordinary Item.

At a Board Meeting today the directors declared a first interim dividend of 3.7p per share (1989 – 3.3p) which, together with the associated tax credit, is equivalent to 4.9p per share (1989 – 4.4p). This interim dividend will be paid on 5 March 1991 to shareholders on the register at the close of business on 1 February 1991.

Associated British Foods plc
Weston Centre, 68 Knightsbridge, London SW1X 7LR

UK COMPANY NEWS

A touch of Southern comfort

Clare Pearson on the prospects for a prosperous and large supplier

THERE CANNOT be many state-owned utility companies with headquarters in a country mansion, but for more than 40 years Southern Electric has rejoiced in being housed at Woolley Hall, an 18th century house at Littlewick Green in Berkshire.

The Hall, recently restored to its original splendour, is only one of the many blessings Southern should be counting ahead of its flotation on the stock market in a few weeks' time.

Size alone makes it important: in the flotation prospectus, published last Friday, the company forecast historic cost pro forma pre-tax profits of £88.5m for the current financial year.

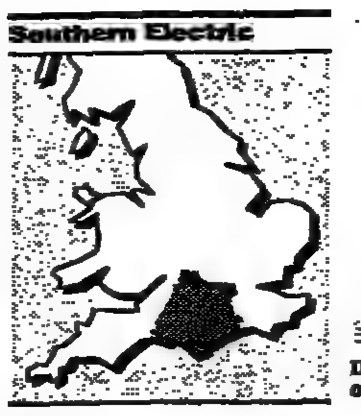
The new price control regime would allow it to recover a maximum further amount of £28m, for the same level of sales.

Geographically, it is the second largest regional company after Eastern. Its area, stretching from the west of London to Somerset and taking in towns such as Reading, Basingstoke and Swindon, is also one of the most prosperous in the country.

Economic indicators are for continued higher-than-average growth especially within the commercial sector. This should be boosted by developments such as the extension of the M40 motorway which should bring a further influx of investment into the north and east of the region.

That means also that sales to the domestic sector should increase even though, as Southern notes in the prospectus, they are currently suffering from the slump in the housing market which has seen the number of new houses built fall from 44,300 in 1988/9 to 35,800 in 1989/90.

Southern Electric



Duncan Ross: largest number of industrial companies

Customer breakdown of sales

	Southern Electric (%)	Industry (%)
Domestic	41.1	34.4
Commercial	33.3	25.9
Industrial	23.1	36.7
Other	2.5	3.0

Source: UBS Phillips & Drew

But what really counts about Southern's domestic sales in the new, competitive electricity market is that, at 41 per cent of the total last year, they represent a solid block that is not going to fade away due to economic conditions or transfer its custom elsewhere.

Sales to industrial customers, by contrast, add up to little more than half that percentage.

Of the larger customers, some such as Slough Estates are already generating their own electricity.

Nevertheless, Southern's industrial customer base has one particular advantage, which is that it is highly diverse. As Mr Duncan Ross, chairman, says: "We have one of the smallest industrial loads as a proportion – but we have the largest number of industrial companies."

All these blessings have, of course, been factored into the structure imposed on Southern as it enters the private sector. This is why its X factor, part of a formula which governs the extent to which it can raise prices, has been set at 0.65 per cent, the third lowest for all the companies.

Once they are put into the pricing of the shares, which will take place just prior to flotation, it is likely to be that Southern will be heavily penalised.

This is because the aim of the pricing is to arrive at a level playing field for all the companies, so that those with the most attractions to investors bear less generous yields, and vice versa.

However, the experience of last year's water flotation suggests that in early stock market dealings at least investors tend to chase the smallest companies offering the highest yields, eclipsing companies like Southern.

That is likely to put a special pressure on the company to impress the City; and it would be wrong to assume that that will be the only challenge it will face after flotation.

First, it is facing a fairly steep increase in capital expenditure. In the prospectus, Southern says it expects to spend £146.4m this year, up from £112m last year, and the figure will be materially higher in the following three years.

Another challenge it will be facing will be control of costs. Southern's record on this is by most measures already impressive – which clearly limits its scope for further improvements.

However, Mr John Wilson at UBS Phillips & Drew says that in terms of cost control relative to assets, Southern's record is below average for the industry. Clearly, this creates an opportunity to do better in future; but Mr Wilson says it "may be quite onerous given the cost pressures" faced by Southern in its area.

Analysts agree that there is scope for improvement in the smaller businesses of contracting and retailing; the planned

PRIVATISATION

introduction of central warehousing should, for instance, help the latter.

In other areas, Southern is cautiously keen to move into generation and together with South Wales and London Electricity it disclosed during the summer it was considering taking an equity stake in a £450m power station in west Wales being planned by Texaco, the US oil group.

On supply, Southern seems likely to tread a middle road: it is obviously keen to retain and even to gain customers but claims it will do so only on economic grounds. When competitive tendering closed in June, it had lost 74 customers to competitors, most notably Heathrow Airport to Seeboard, but gained 30 outside its own area.

The way Southern has hedged its electricity purchasing for this year has left it exposed to price changes at peak periods. It is impossible to tell at the moment whether that position, which will not in any case have arisen entirely out of Southern's choice, will have turned out to be a wise one.

However, analysts note that Mr Ross and other directors from Southern were heavily involved in the negotiations concerning how purchases and sales in the new electricity pool were to be conducted; this may have given it an edge that will prove useful in the future.

NEWS DIGEST

Blystad tumbles to £0.7m

OPERATING PROFITS of Blystad Group, formerly known as KCA Drilling, fell from £3.58m to £710,000 on turnover down from £12.63m to £10.9m in the six months to June 30.

Mr Wilhelm Blystad, executive chairman, pointed out that the group had undergone a costly reorganisation of the management structure and realignment of activities and that it was now in a position to restore its asset base and profitability.

As a first step the group completed the proposed acquisition of three offshore drilling rigs in September and has now entered into conditional contracts for the disposal of two of these, the Songa Sun and Songa Sky, on terms which would give a net profit of £1.1m. The aggregate consideration for the disposal is $22.9m (£11.7m).

After exceptional debits of £262,000 (nil), there was a pre-tax loss of £130,000 against a previous profit of £1.57m.

The loss per share emerged at 0.16p (earnings 1.58p). Extraordinary items of £3.51m (nil) included £3.35m for termination of a management contract and expenses of £150,000.

Betterware shows 52% profit rise

Betterware Consumer Products, the catalogue direct seller of domestic household ware and care items, expanded its pre-tax profit by 52 per cent, from £1.13m to £1.71m, in the 28 weeks ended September 8 1990.

The result again demonstrated the potential of the direct-selling formula, especially in the context of a downturn in the UK economy, said Mr Andrew Cohen, the chief executive.

"Direct selling has moved on a great deal since the days of the door-to-door brush salesman," he added.

The sales catalogue now contained more than 90 products including, for the first time, a range of toys. Orders received in the first eight weeks since the interim stage were 55 per cent ahead of the corresponding period last year.

Mr Cohen said the future was excellent, and it was now time to export. Plans for expansion into Europe, starting with France, were at an advanced stage and trading should begin during next year.

Sales in the interim period rose 36 per cent to £13.98m (£10.28m). Earnings were 5.54p (3.66p) and the dividend is lifted to 1.35p (1.075p).

Lower sales hold back Smith Estates

Reduced sales of investment properties led to a decline from £541,000 to £525,000 in pre-tax profit of USM-quoted James Smith Estates in the half year ended September 24 1990.

Gross rental income improved to £797,000 (£685,000). However, sales of residential leaseholds in St John's Wood were affected by the downturn in the property market, and profit on sales fell to £111,000 (£211,000).

Net interest payable was cut to £182,000 (£207,000). Earnings slipped to 2.21p (2.46p) and the interim dividend is lifted to 1.1p (1p).

Mr Stephen Mulliner, chairman, remained confident that rental income would continue to grow significantly.

Colorgen moves into the black

Colorgen, the maker of computerised colour-matching systems, made a small profit in the year ended June 30 1990, and is looking for further improvement in the current year.

The company is based in Massachusetts and quoted on the USM. In the year the profit came to $18,000 (£9,160), after interest charges of $73,000, compared with a loss of $220,000 after interest of $61,000. Earnings per share were 0.1 cents (losses 1.5 cents).

Mr John O'Brien, chairman, said the profit more than compensated for losses in the first half, and was made despite a reduction in gross margins. Turnover rose to $5.06m ($3.9m).

He went on: "We are experiencing a good level of inquiries in the current year and we have received a substantial commitment from a US paint company for delivery during 1991."

UniChem buys into German company

UniChem, the pharmaceutical wholesaler, is making its first move into Europe, in partnership with business colleagues, at a cost of £4.2m.

It has taken an option to acquire a 17 per cent stake in PAG Pharma-Holding, a German quoted company whose sole asset is a 30 per cent stake in Anzag, Germany's largest pharmaceutical wholesaler.

With stakes held by UniChem's partners, OPG of Holland and Egwa-Wiveda of Germany, the consortium will have control of PAG.

Consideration will be DM12.38m and be met by an issue of shares, not exceeding 4m.

Mr Peter Dodd, chief executive of UniChem, said the move would enable his company to take advantage of any opportunities that might arise after 1992.

Safeland profits fall more than £1.6m

Safeland, the USM quoted property investment, refurbishment and estate agency, reported a sharp fall in pre-tax profits from £1.96m to £309,000 in the six months to September 30.

Mr Raymond Lipman, the chairman, told shareholders that he believed the group had performed well in a sector which had been severly affected by the economic downturn. He said the decline in turnover and activity levels was also partly a result of adopting a cautious approach to all property transactions and a commitment to reducing the group's gearing level, which stood at 94 per cent at March 31 1990, to 62 per cent at September 30 1990.

Turnover for the period fell from £19.51m to £8.64m; earnings per share were 1.11p (7.09p) after tax of £108,000 (£712,000) and the interim dividend is cut from 1.6p to 0.7p. Mr Lipman said he believed that the recent fall in base rates to 14 per cent might be the impetus needed to help restore the group's profits, growth rates and dividends to previous levels.

BNP makes offer for Capital Leasing

In an agreed deal, Banque Nationale de Paris is offering to acquire the capital of Capital Leasing Group at Irish 44p per share.

Development Capital Corporation and its subsidiary have irrevocably undertaken to accept in respect of beneficial holdings of 19.08m shares (67.35 per cent). Capital Leasing has appointed Davy Corporate Finance as independent adviser to consider the offer.

CLG believes the deal will give it sufficient resources to substantially expand its current 2.5-3 per cent share of the Irish leasing market. BNP will channel its Irish leasing activities through CLG.

Sock Shop creditors accept rescue plans

Creditors of Sock Shop International, which has an estimated total deficiency of £17m, have accepted the proposals made by administrators appointed to rescue the company.

Mr PWG Du Buisson and Mr PR Sykes of the London accountancy firm BDO Hamlyn are to be allowed to continue to manage the company's affairs to achieve a more advantageous realisation of assets than would have been effected in a liquidation.

They have also been given permission to complete and finalise the sale of Sock Shop assets and property to Sock Shop Holdings (formerly Fullchance) and to realise other miscellaneous assets.

COMPANY NEWS IN BRIEF

ARCADIAN INTERNATIONAL's recommended offer to acquire Smithfield Developments has been declared unconditional.

ASHLEY GROUP has aquired 60.3 per cent of Vertika International, a leading brand name for window blinds, for £1.57m cash; and has options to buy the remainder early next year giving a total consideration of £2.61m.

BRENT CHEMICALS Intl has paid DM3m cash for Pangolin Lack-und Farbenfabrik, maker of liquid resists, hot air levelling fluxes and screen inks used mainly in the manufacture of printed circuit boards.

CAMPBELTOWN CREAMERY Holdings, the maker of Mull of Kintyre brand cheese, is to become a subsidiary of Scottish Pride Quality Dairy Foods, the commercial division of the Scottish Milk Marketing Board. Scottish Pride will own two thirds of a new joint venture, Kintyre Creameries, with 3i, the venture capital group holding the balance.

CH INDUSTRIALS has sold the business and assets of two non-profitable subsidiaries, Beclawat Engineering and Cheri Foam, for more than £2m cash. Beclawat was purchased by Percy Lane, a wholly-owned subsidiary of Heywood Williams.

CITY AND Westminster Group's Archford Computers International subsidiary has sold hardware and software rights to Doctus for £1.2m plus VAT. These rights will form the basis of Doctus Technology Services (DTS). Archford has acquired, for a nominal consideration, 5 per cent of DTS. This stake can be acquired by Doctus in three years under a profit-based formula. City and Westminster has also received net receipts of about £800,000 from the sale of Progress House to Doctus.

CITYBOND STORAGE: Talks are taking place which may result in a possible offer for the company.

CRAMPHORN has acquired Macfarlanes Garden Centre, based at Sprowston, Norwich, for £1.42m cash plus a further sum equal to valuation of stock.

ELDRIDGE, POPE and Vaux Group have entered into a joint venture for the ownership of the Highcliff Hotel (Bournemouth). Vaux will acquire 50 per cent of Highcliff's equity for an estimated £1.3m cash. The agreement values the hotel at about £12m.

EXPEDIER has purchased a 19.9 per cent interest in EGP Sports for £100,000 cash and the issue to the vendors of 403,000 shares. Expedier also announced arrangements by which it can acquire rest of EGP for £160,000 cash and £400,000 in shares. Option is exercisable by August 31 1991.

GREENWICH RESOURCES: George Weston Holdings has subscribed for 15.63m A shares following completion of the company's rights issue.

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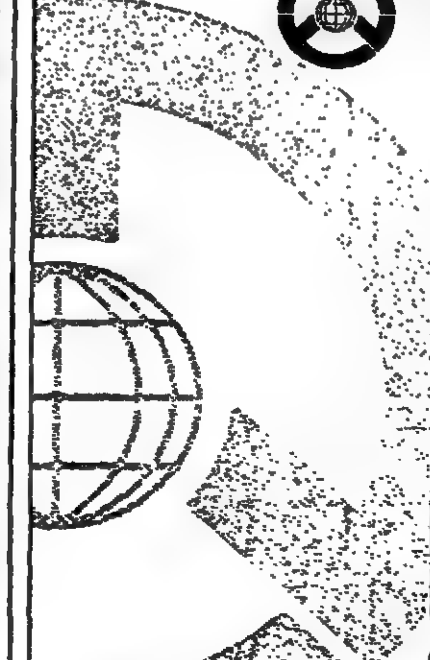

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MANAGEMENT: The Growing Business

Breaking through the 'not here' barrier

Pleasant locations are not always considered compatible with industry. Charles Batchelor on problems of rural businesses

The authorities stalled for three years before allowing Thermal Measurement Systems to take over a disused council depot in the Derbyshire Peak District National Park

When Horbury Winder applied for planning permission to turn a derelict council depot in Castleton, a pretty village in the Derbyshire Peak District National Park, into a base for his business "all hell broke loose".

Residents objected to the depot being put to industrial use in a street lined with gift and craft shops and restaurants. Many people in Castleton, in the picturesque Hope Valley, made a good living from tourism.

"Petitions went round," Winder recalls. "The local history society protested it had been offered the depot for a museum while the Peak Park and the National Trust wanted it for a visitors' centre." While the authorities stalled for three years Winder rented half the depot which meant he had to make do with portable buildings parked in the back yard for offices and staff lavatory.

Finally, after Winder and his wife knocked on every door in the village to put their case, permission was granted and Thermal Measurement Systems, which makes thermocouples (industrial thermometers), took over the whole depot. The 11-year-old company now employs 21 people and has £1m of sales.

The problems faced by Thermal Measurement are not uncommon for businesses setting up in rural areas. Despite the decline of employment in farming, local residents and councillors can take a narrow view of the activities they are willing to accept to provide replacement jobs.

"We want to create a balance in rural areas to offset the concentration on tourism which often provides low-paid jobs with low added-value," says Gerry Ginno, the Rural Development Commission's economic development officer for the region.

Thermal Measurement provides just the sort of mid- to high-tech employment the commission is keen to encourage. It requires expertise in fields ranging from basic metalworking to electronics and computers and recently won a government SMART (Small Firms Merit Award for Research and Technology) award to develop a device to monitor when a thermometer is going out of calibration.

For all the obstacles encountered by companies such as Thermal Measurement, running a business in an area like the Peak Park has many advantages. The peace and quiet of a rural location is a big attraction and travelling to work through country lanes preferable to big-city commuting, says Trevor Bell, founder of CDR Group, which designs software for use by civil engineers planning and repairing roads and drainage systems.

Bell, who commuted to work in London for several years, started CDR in 1983 in a stable attached to the farmhouse where he lives. Fifteen months ago he took over a house in the village of Hope and converted it into offices. He now drives two miles to work each day. Clients are only too happy to visit CDR because of its pleasant surroundings, he says.

Despite CDR's rural location, Hope is only 10 miles from Sheffield and 15 miles from the M1 motorway so the company has ready access to most parts of the country.

Companies in the Peak Park also benefit from their proximity to the research resources of the university and polytechnic in Sheffield. Jim Stangroom, managing director of ER Fluid Developments, says he makes use of specialists at Sheffield Polytechnic to help him out when problems arise.

ER, with four employees and turnover of about £100,000, is developing industrial applications of electro-rheological fluids which solidify when exposed to an electric field.

ER is housed in former Ministry of Defence buildings in Brough, another village in the Hope Valley. The company, which has also won a SMART award, could not afford premises on a science park, says Stangroom, formerly an academic at Sheffield University.

Finding employees in a rural area depends on the type of business involved. CDR has no problem recruiting people – many of them local housewives – to input data. The company is converting thousands of maps showing where sewers run into digitised form. Recruitment advertising consists of a card in the window of the village post office, says Bell, although more senior staff have also been found locally.

"There is an incredible reservoir of untapped energy," he explains. "Many of the women were frightened of high technology but they have taken to it well. The alternative would be to go and work at the local supermarket."

But many companies do have difficulty finding people, partly because the large numbers of commuters and retired people attracted to the Peak Park make local housing very expensive. Even starter homes are beyond the reach of many employees.

Two apprentices trained by Thermal Measurement left the company as soon as they married because they could not afford to buy houses locally, says Winder. The company can attract single people living with parents and older workers who are settled but has trouble finding people in their 20s and 30s who are setting out to buy their first home.

In areas of great natural beauty the attractiveness of the region brings extra pressures to bear on small businesses and their employees. But not all country areas have the postcard charms of the Peak Park.

Some 20 miles to the south-east of the Hope Valley, on the other side of the M1 motorway, the rural community is having to cope with the effects of a declining coal mining industry which has left many of the villages with high levels of unemployment.

Young high-tech entrepreneurs who might be tempted to start up in business in the Peak Park are less likely to be attracted to Bolsover where the town looks down on the winding-wheels of the local pit and smoking chimneys of a coking plant. The pit villages of north east Derbyshire and Nottinghamshire lack the charms of Castleton and Hope.

The scale of the problem has prompted the Rural Development Commission to launch what it calls its rural coalfield initiative. It plans to spend £6m over the next three years to provide small workspace units, business advice and additional community facilities in coal closure areas in Derbyshire, Nottinghamshire and Leicestershire.

High unemployment means there is usually no problem recruiting workers. Monition, which provides contract engineers and equipment to monitor and predict machinery failure, recruited engineers made redundant by the pit closures, says Michael Batty, joint founder and sales director. Monition has grown rapidly from just three to 30 employees over the past three years and has turnover of nearly £1m.

Finding premises is more difficult. Monition, and 37 other small businesses, are based in a former Coal Board area office in Bolsover which also houses the local enterprise agency, the Bolsover Enterprise Agency Partnership. Businesses on the site provide about 250 full-time jobs and a further 50 part-time jobs, says Peter Stafford, joint manager of the agency. Open for just 18 months, the centre rapidly filled up with tenants despite the fact that it did very little advertising.

Another common problem also unites the small businesses in the Peak Park and Bolsover. As the businesses grow they need larger premises but find that none is available locally. CDR Group in Hope and Monition in Bolsover will both need more space soon if they are to continue expanding. Unlike small businesses in urban areas, however, they may be forced to move a great distance to find suitable premises and may be unable to take their employees with them.

"The Peak Park planning board won't entertain expansion on this site," says CDR's Trevor Bell. "You get encouragement when you are small but when you get to a certain size they tell you to go away." If much of the effort which goes into promoting small business in Britain's rural areas is not to be wasted then the planners must be prepared to find homes for the businesses which are growing in their areas.

A chance to talk back

Charles Batchelor reports that small business wants more opportunity to communicate with the government

The British government has yet to develop an effective method of communicating with small businesses despite their growing importance in the overall economy, according to a newly-published study*.

Small firms were more difficult to reach than large but the government should be able to establish communication channels similar to those which it had developed with large-scale manufacturing in the past, the authors suggested.

The task would not be easy because small business owners are naturally suspicious of government, the study noted. Communication was not helped by the fact that routine contact took the form of paying VAT or PAYE taxes which gave the business owner a negative view of the government.

Government initiatives such as the Small Firms Service and the Loan Guarantee Scheme might be expected to create a more favourable impression but while most business owners knew of such schemes, few had used them. This was because the small firm had to ferret out the government department concerned; forms had to be filled in; and it often took a long time for the civil servants to come to a decision.

Resistance to government might be overcome by using intermediaries such as bank managers, trade associations or accountants but contacts with these sources were often patchy, the study said.

Despite their scepticism of government, small businesses were keen to achieve closer links in the belief that a more informed government would be better able to create a favourable economic climate.

The researchers suggested the creation of consultation or liaison points staffed by civil servants in local council offices or job centres where small business owners could go to put their views.

But the small business owners surveyed felt large numbers of people would have to go along for a fair representation of their views to emerge, while the staff would inevitably be very junior. Small business owners were also unenthusiastic about a proposal for the creation of local panels of government representatives and small business people meeting two or four times a year. Discussions would be too general to be useful, many felt.

They were more enthusiastic about the idea of taking part in personal interviews to discuss topics relevant to their own business. However, these would be better carried out by intermediaries with business experience rather than by civil servants, they said.

The study suggested five factors essential to good communication between government and small business. The government approach had to be:

- Visible. It must be given a higher profile because small businesses felt that at present government did not give their views serious consideration.
- Pro-active. The government must take a lead because small businesses felt they could not put across their views effectively.
- Personal. Small business owners conducted their business on a highly personal basis and disliked the impersonality of government documents. Consultation must be "user-friendly" whether face-to-face or on paper.
- Relevant. Small business owners should only be contacted on issues relevant to them or when possible changes might affect them directly.
- Involve feedback. Small business owners needed to feel that consultation had been worthwhile and any results should be fed back to those who had given time and thought to the exercise.

*Government Consultation with Small Business Owners by K MacMillan, J Curran and S Downing. Published in International Small Business Journal Vol 8, No 4, Woodcock Publications, PO Box 1, Macclesfield, Cheshire SK10 4YQ. Tel 0625 528516.

In brief...

■ Many small UK companies are very active exporters, according to the first Quarterly Survey* of Exporters to be carried out by the Small Business Research Trust. Companies polled exported on average 38 per cent of sales; very small firms, with less than £50,000 worth of sales, exported an average of 48 per cent.

The most important problems faced by exporters had to do with marketing, including dealing with agents and distributors, followed by payment delays/bad debts and exchange rates. On average exporters would have preferred sterling to have joined the European Exchange Rate Mechanism at DM2.80:£1 rather than at DM2.95.

*Available from School of Management, Open University, Walton Hall, Milton Keynes, MK7 6AA. Tel 0908 655831. £15 per copy or £45 a year.

■ Businesspeople seeking information on trade within the European Community will be able to turn to two new Euro Info Centres opening shortly at the Local Enterprise Development Unit in Belfast and the London Chamber of Commerce and Industry. The centres also provide advice on European Commission programmes.

■ National Westminster Bank is to merge its two venture capital operations, NatWest Growth Options and County NatWest Ventures, in January.

NatWest Growth Options was established five years ago to provide small amounts of venture capital finance in addition to the larger deals being carried out by County NatWest Ventures. Growth Options began by providing subordinated loans convertible into equity but has since also made direct equity investments in deals valued at up to £500,000.

The merger was prompted by the growing informal co-operation between the two venture capital arms. The two will combine their marketing and merge regional offices. At the same time Growth Options will return responsibility for straightforward loans provided with venture capital to local branch managers.

Growth Options has 65 investments involving £10m of equity. County NatWest Ventures has £180m worth of investments. Bob King, head of Growth Options, is to become a director of County NatWest Ventures.

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- Leasehold factory at Bridgwater, Somerset
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Further information may be obtained from the Joint Administrative Receiver, *P R Copp FCA, FCCA* or *E V L Blackwell, FIPA* (ref das) at Stoy Hayward, 8 Baker Street, London W1M 1DA. Tel: 071-486 5888, Fax: 071-487 3686, Telex: 267716 HORWAT.

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Ref Mark Brunsdon Tel: 0272-277778**
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(in administrative receivership)

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All enquiries should be addressed urgently to:Joint Administrative Receiver, C.J. Barlow F.C.A., Cork Gully, 66 Queen Square, Bristol, BS1 4JP. Telephone: 0272 292791 Fax: 0272 307008.

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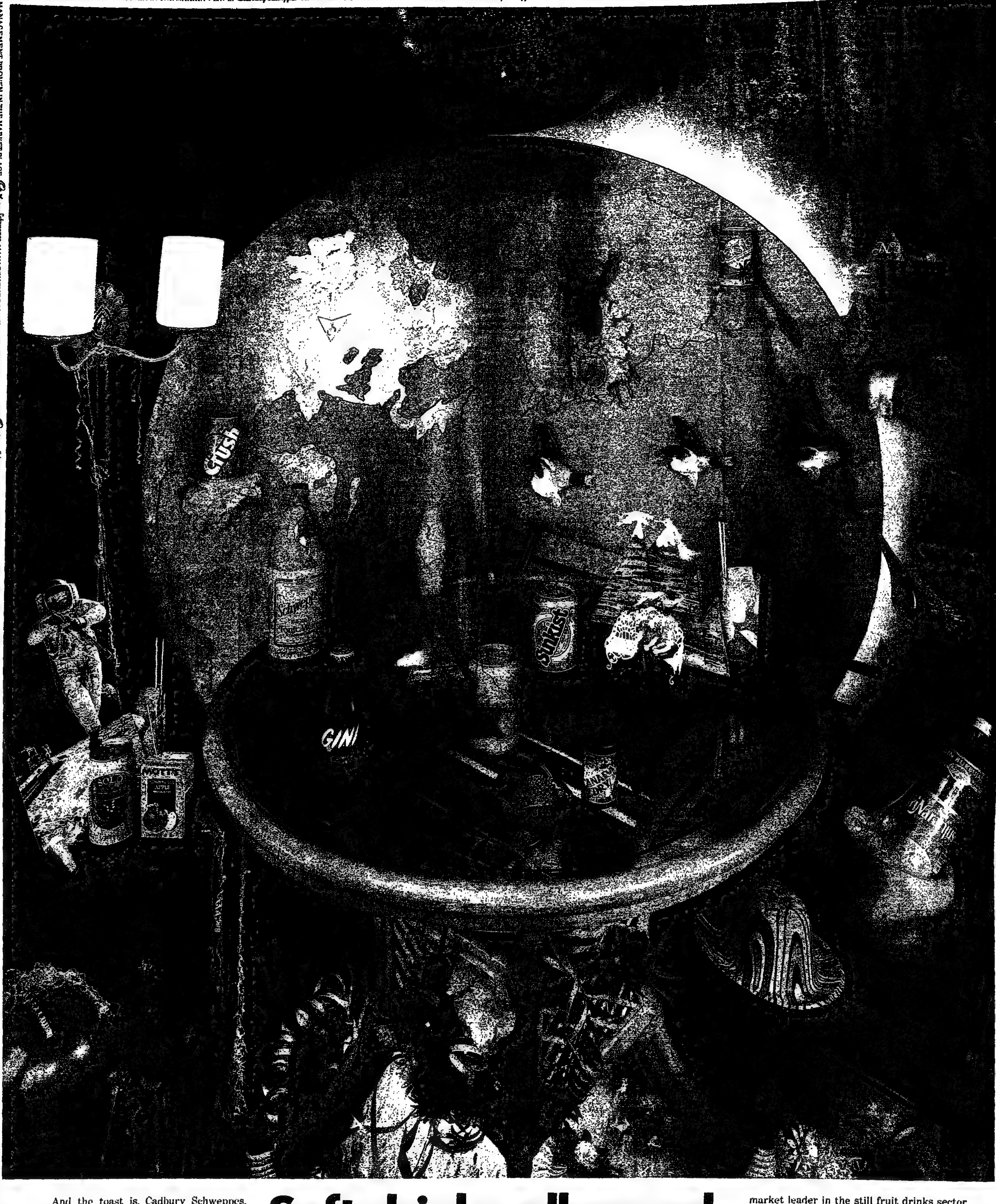

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Cadbury Schweppes

MANAGEMENT PROVEN IN THE MARKET PLACE

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TECHNOLOGY

Traffic lights on the River Thames

By Della Bradshaw

LAST year's collision between the Thames pleasure boat the Marchioness and the dredger Bowbelle, in which 51 people died, highlighted the need for control over the way vessels travel up and down London's River Thames.

As a result the Port of London Authority has ordered a radio-controlled traffic light system to help prevent further disasters. The traffic lights will be installed on 19 London bridges, from Putney Bridge to Tower Bridge.

The aim of the system is to give large commercial vessels – known as category A vessels – priority over the smaller leisure craft when they are both approaching the same bridge. Often the larger vessels can only travel through the centre arch of the bridge, while the smaller boats could use the side arches.

There are about 30 category A vessels which regularly use the Thames – dredgers, rubbish boats, the occasional oil tanker and the like.

At the heart of the traffic control and monitoring system are microwave sensors, one of which will be placed on each side of the bridge. The sensors detect any vessel which is within 50m of the bridge.

In addition the category A ships are identified by signals from a radio transmitter which they will be required to carry. This bleeps every 20 seconds, sending out a radio message which identifies each individual ship and which is "heard" by the equipment on the bridge.

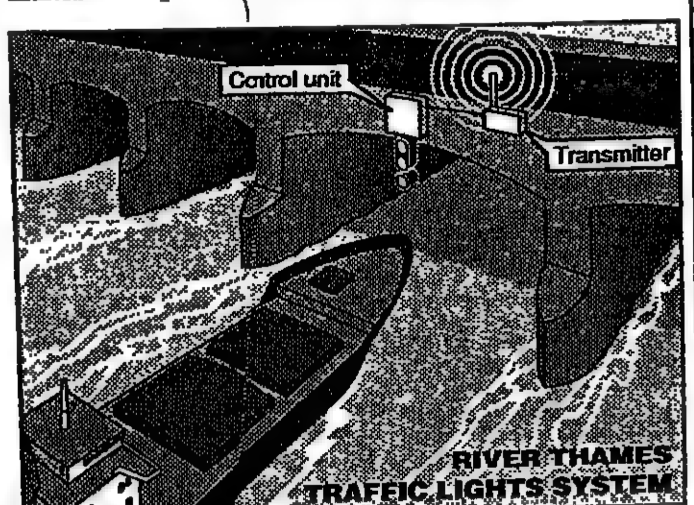
Once the bridge equipment detects the approach of a large vessel a white light begins flashing over the arch of the bridge, informing the large vessel that it has right of way and telling the smaller boats that they must give way.

The information – on both the presence of all the vessels and the identity of the individual category A ones – is then sent over a radio network to the Port of London control centre on the Thames Barrage.

There it can be logged and, if necessary, controllers can overrule the traffic light system – preventing the white light from flashing and so forcing the larger vessel to anchor. Any explanation could be given over existing radio communications links.

The information is sent across the airwaves on the Paknet network, run by Racal Telecom and Cable and Wireless, which transmits bursts of data at the rate of 8 Kbits per second.

The decision to use a commercially-run network, rather than a dedicated radio link for the Port of London, came about because of badly congested radio airwaves in the City of London, says Nigel Hudson, managing director of Stonefield Systems, which is installing the traffic light system. "We couldn't be sure we could get the same radio frequency for each bridge in the London area," he says.



Counting up the future

As US citizens head for the polls today, Andrew Jack reports on advances in voting machines

The British do it with a humble pencil on paper, while the Turks use a rubber stamp on a coloured sheet. But in the US they vote by machine.

Americans citizens across the country are today selecting new governors, congressmen and a number of other officials. As in the UK and other parts of the world they will enter a variety of schools and community buildings requisitioned for the day, identify themselves to a clerk, enter a booth and pull a curtain shut behind them.

Most who those exercise their democratic right, however, will then turn to face something far more complex than a piece of paper. According to Election Data Services, a consultancy firm based in Washington DC, only one third of political districts in the US – and a humble 8 per cent of registered voters – still prefer to use a pen and paper.

More than 36 per cent of voters will be standing instead in front of a metal cabinet, seven feet tall and three feet wide, and weighing perhaps 1,500 pounds.

Some of these voting machines still in use date back to the beginning of the century and are lit by kerosene lamps. The average one is more than 20 years old. Beside each candidate's name is a small red lever. Once pulled, it tugs a long metal strap inside the cabinet, which increments a mechanical counter by one place. At the end of the day an election official unlocks the back of each machine, reads the separate counters – one for each candidate – and adds them by hand.

Modern technology is gradually making some headway. Since the 1960s punch cards have provided an alternative form of ballot paper. Nearly 40 per cent of voters now use some version of this system. They use a punch to press out a hole against their choice for each post and put the card into the ballot box. When polling finishes, all of the cards are tallied by machine.

In the 1970s a new form of computer peripheral – the optical character recognition device – began to find applications. They came only slowly to the polling place, but around 8 per cent of voters today fill in pencil blobs on special machine-readable paper. Centrally-located scanners then do the sums after the polls close.

Now "direct recording electronics" are beginning to encroach into the booth itself. "Many of the new sales are of the electronic systems," says Kimball Brace, president of Election Data Services. "And they will probably pick up after the election. They are the up-and-coming system." Since their introduction in the mid-1980s, however, electronic machines are still used by less than 5 per cent of the electorate.

Nor do these machines take advantage of miniaturisation: they are not much smaller than the voting machines they replace. A large frame displays all the candidates names, with a button next to each. A light goes on when the button is pressed. When all selections, and any corrections, have been made, voters press a final switch and their choices are recorded on a magnetic cartridge. After the booths shut, the cartridges are collected for reading.

The demands of voters are clearly not pushing forward the frontiers of technology. Even the most recent electronic machines designed by Sequoia Pacific Systems "are really not terribly exotic," says Jim Hayssen, vice president for marketing and general manager of the voting systems division. "But the job is not cutting edge either," he points out.

Cliff Wilson, director of marketing for the rival Shoup corporation, agrees: "I don't think we have reached the point of selling the idea of using computer technology." He says that new designs have had to reflect voters' wishes. "They prefer something that looks and feels like the machines they have used in the past."

Part of the problem is a concern for accuracy. There has been growing concern over tampering in the last few years, as well as a fear of computer viruses and hackers. But "every system has some potential for fraud," says Jim Hayssen. The old mechanical machines frequently jam; the holes in punch cards are not properly punched and give false readings; and there is great potential for error when completing the ballots required for optical character recognition.

In addition, some manufacturers have been scared off by the steady stream of litigation that follows any political contest. "The loser always thinks the election has been stolen," says Malin van Antwerp, who directed a project to evaluate voting systems two years ago.

More practically, points out Wilson, "officials would prefer to spend money on hospitals or the fire department," rather than election machines used only once or twice a year. Even a reconditioned mechanical one costs more than $2,500, while the more recent electronic versions retail at nearer $5,000.

New York city finally committed last month to a $50m contract for new electronic machines, after criticism that its 30-year old machines were inaccurate, and disenfranchising voters in some communities. But others have questioned how wise this move is at a time of fiscal crisis.

Looking to the future, Hayssen predicts that "a screen-based system is the next logical solution." A computer monitor might display the list of candidates, which would have the advantage of allowing names to be changed up until just before voting begins: whereas ballot papers have to be printed far in advance.

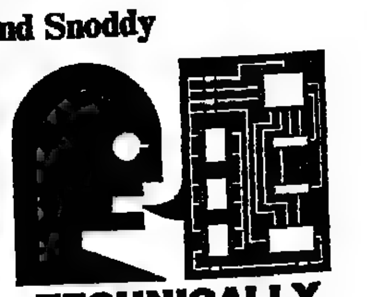
It might also involve a touch-screen selection system, in which a transparent coating or a series of infra-red beams would allow people to vote simply by pointing to their chosen name on the video display. Two years ago Nixdorf developed a prototype based on this principle. But the company questioned whether their costs would be recovered, and has since withdrawn from the market.

Penelope Bonsall, director of the National Clearing House for Elections Administration, suggests that greater emphasis over the next few years will be on voter registration rather than new voting machines. It will focus on computerising lists of those eligible to vote, and developing signature recognition devices.

That applies both domestically and internationally. Despite the relatively crude technologies for voting, the US remains well ahead of other countries. Apart from some attempts at optical recognition ballots in Canada and Scandinavia, no other nation seems to trust machines.

Sorry plight of Mac the orphan

By Raymond Snoddy



TECHNICALLY SPEAKING

In the human and commercial drama of the weekend merger, or shotgun wedding, of British Satellite Broadcasting and Rupert Murdoch's Sky Television two factors have been almost forgotten – the manufacturers and D-Mac, the television standard used by BSB.

Manufacturers such as Philips and Thomson, which signed production deals with BSB, will obviously be hurt. Although diplomatic noises are being made about a transitional period when the new five-channel system will be transmitted on both the BSB and the Astra satellite systems consumers are adept at detecting the smell of gangrene.

Whatever anyone says it is likely that the sale of Squarials and the D-Mac decoders offering a better picture will grind to an overnight halt. The common or garden Pal standard will have triumphed over technological superiority in the way that VHS once defeated Betamax in the video recorder industry.

Enormous efforts and ingenuity will have been wasted – although the manufacturers will be protected from the worst immediate financial consequences of the decision by BSB underwriting deals running into many millions of pounds.

But the real loser is D-Mac, the television standard chosen not just by Britain's Independent Broadcasting Authority. MAC is the also the choice of the European Community and the subject of a directive.

Its plight is likely to be terminal and some believe with it will go at least one plausible evolutionary route towards a European high definition television industry which does not have to rely totally on Japanese technology.

John Forrest, executive chairman of National Transcommunications, the soon-to-be privatised transmitter and research operations of the Independent Broadcasting Authority, believes the likely outcome is disappointing.

"Mac was designed on a European basis as the new TV standard able to offer enhanced pictures and sound and as an evolutionary path to high definition television," says Forrest.

He does not see that happening now. "The European industry was staking a lot on this route," Forrest adds.

With the French and German high power direct broadcasting companies encountering all sorts of problems both technical and commercial, the UK was going to be the shop window for the Mac family.

Now the UK is faced with the near farcical situation where high power satellites costing around £400m and capable of broadcasting perfect pictures to 12-inch Squarials in the worst of weathers in the north of Scotland could be almost redundant or put to marginal use for business television or transmitting data.

But not everyone is as gloomy about the future as Forrest. Bernard Rogers, chairman of the technical committee of Breema, the British Radio and Electronic Equipment Manufacturers Association, believes there are other routes to better pictures including Pal Plus; and anyway HD-Mac could be produced without intervening evolutionary steps.

But when the IBA considers whether or not to put its reluctant acquiescence, if not its seal of approval, on the BSB-Sky deal it should at least remember D-Mac and the technology its engineers have helped to develop.

The commercial *realpolitik* of satellite television has now narrowed all options. But before the IBA finally runs up the white flag it should perhaps determine if anyone is interested in a friendless orphan called Mac. Otherwise high-definition television sets are likely to come in boxes with Japanese characters on the side.

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Floating Rate Notes due 1988-1991
NOTICE IS HEREBY GIVEN that for the Interest Period commencing on 7th November, 1990, the Notes will bear interest at the rate of 9⅞% per annum. The Interest payable on 7th February, 1991 against Coupon No. 25 will be U.S. $63.09 per U.S. $2,500 Nominal.
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Rubber nears support level

By Lim Siong Hoon in Kuala Lumpur

THE RECENT slide in world rubber prices and the prospect of renewed intervention in the market will be the main issues facing delegates at the meeting of the International Natural Rubber Organisation that begins in Kuala Lumpur today.

Inro's buffer stock manager, who last intervened in March, would have had to resume buying during the past few months had not the organisation reduced its intervention thresholds by 5 per cent in July.

Except for a brief period in August when the market received support from US stockpile purchases, the average prices from the markets of Kuala Lumpur, Singapore, London and New York have since been in decline. Last week Inro's five-day moving average price fell to the "may buy" level of 176 Malaysia/Singapore cents a kilogram.

Inro's rules allow for adjustments to its intervention levels every 15 months, so a fresh revision at this week's meeting would not be possible without a rule change. The organisation has M$130m (£25m) available for buffer stock buying. This was called up in July after an initial sum of M$70m was depleted during the first quarter by 34,000 tonnes of intervention purchases.

Despite low stocks and slow output in Malaysia, sagging demand has given Inro little grounds to be optimistic about the short-term prospects for a price recovery.

Inro's headquarters in Kuala Lumpur is authorised to stock up to 400,000 tonnes and, under a contingency clause, a further 150,000 tonnes.

● Malaysian stocks of palm oil appear to be building up again but improved demand has boosted prices at the Kuala Lumpur Commodity Exchange. The prompt November futures position has moved above M$744 a tonne, well ahead of the $650 level around which nearby prices had been trading for most of the year but still below the M$822-a-tonne average for last year.

Traders have attributed the sharp gains in recent weeks to an initial Egyptian enquiry for 10,000 tonnes and, later, another 5,000 tonnes. The country is one of Malaysia's top five customers for palm oil.

To pump new life into the market, local palm oil producers have been urging the government to buy up to 200,000 tonnes for distribution as food aid. Aggressive government-sponsored sales promotion abroad, and the easing of export taxes early this year appear to have made little impact.

Preaching against the 'false god' of free trade

Farmers on the Texas Panhandle are facing hard times and many fear disaster if subsidies are cut further

As discussion continues on farm reforms in Europe and in the Gatt Uruguay Round, Nancy Dunne looks at the state of agriculture in the US, where the administration has made deep cuts in domestic subsidies and is urging the rest of the world to follow suit. Further articles this week will look at cotton and sugar, beef and dairy, and rice and peanuts.

CASTRO COUNTY – located within the drab, flat stretches of the Texas Panhandle – possesses little oil beneath. Still, deep-drilling wells pump a commodity sometimes more valuable: water.

When oil prices are low and drought sets grain prices soaring, then farmers in the region reap a harvest to be envied and returns greater than that of black gold.

Irrigation is expensive but it makes possible a diverse, intensive agriculture on farms which typically extend to 3,000 acres or more. When farmers elsewhere are praying for rain, the producers of Castro County simply turn on their sprinklers.

Agriculture's health is one of Texas' vital signs. Almost 80 per cent of its vast land area is devoted to the production of food. Almost 30 per cent of the state's GNP is drawn from the sector, which employ's 22.5 per cent of Texas' work force.

Mr Harold Bob Bennett produces grain and cattle with his father and brothers in Castro county. A rangy, shrewd populist with a "good ol' boy" persona, he holds his "first real job paying real money" as district director of the region for the Texas Department of Agriculture.

He sees it as his mission to testify, as he would in his church, against the "false god" of free trade and for the need of a supply management policy. He would like output quotas, or enough land to be taken out of production to ensure higher prices for the farmers, a scheme that he says would also allow for better conservation policies. He preaches more crop rotation and diversification into alternative crops such as wine grapes, blueberries and pinto beans.

His views are shared by many neighbours, whose farms have been lost or jeopardised because of the 1985 farm programme, which pushed down prices in order to boost exports. To compensate for the lower prices, the government pays production subsidies, called deficiency payments. Mr Bennett says this simply takes money out of the taxpayers pockets to "pacify" the producers.

In 1989 American farmers received $8.1bn in deficiency payments for feed grains and $603m for wheat. When US competitors undercut even the loan rates, the US Department of Agriculture put still another programme in motion to boost foreign sales: the Export Enhancement Program, offering export subsidies.

Mr Carl King, president of the American Corn Growers and himself another Panhandle producer, says the 1985 farm programme was a personal calamity for him. "Right now I'm at my lowest ebb in 30 years. I have nothing to look forward to."

He says he is "broke". His net worth has plummeted from $1.5m in the 1970s, when "I never thought I'd see a poor day again," to between $200,000 and $300,000.

Mr King, believes "a real disaster" is in store for local farmers next year, when the 1990 farm legislation goes into effect. The legislation continues the trend begun in the 1985 Farm Act but also cuts production subsidies by 15 per cent.

According to the Texas Department of Agriculture, the state's agriculture sector has embarked on a radical restructuring since 1980. Then almost three-fifths of the farm workers were independent operators; now 52 per cent work for others.

Other Texas farmers, however, think the government already has more than enough influence over their operations. Mr Randy Justice grows wheat and feed grains in Lancaster, on 15 farms in a three to four mile radius south of Dallas.

In his office, surrounded by computers and records, he seems as much an accountant as a farmer. He also seems to symbolise the future of Texas farming if current trends continue.

He works 15 farms, owns a grain elevator but works thousands of acres belonging to others. The owners are investors, holding it for the rents or future real estate deals.

Mr Justice did not even participate in the farm programme until the past few years, when finally prices fell so low that he accepted the paperwork burden and tight controls to qualify for deficiency payments.

Under the government programme, producers' subsidies are based on the past history of crops and yields for the land being farmed. Thus, a 100 acre farm, planted half with wheat and half with a feed grain one year is "locked in" the next year – it must produce the same crops to qualify for payments.

One of Mr Justice's farms has a 730 "acreage base" upon which he can receive subsidies for crops covered by the farm programme. The "history" allows him to plant 433 acres of wheat; 18 of maize; and 279 of grain sorghum. On his wheat base he must set aside 15 per cent of the land under the Acreage Reduction Program, designed to curb production.

The subsidy payments are based on a history of estimated bushel yields. Although most years wheat yields in the region now run about 40-50 bushels an acre, this farm's history, recorded years ago, assigns yields of 27 bushels an acre.

To allow farmers more flexibility in their planting decisions, the 1990 farm programme offers a new "triple base plan." In addition to land sent aside under the Acreage Reduction Program, Mr Justice must reserve another 15 per cent of his bases.

He gets no deficiency payments for the crops planted on this land (part of the US budget deal to save $13.6bn on farm spending over the next five years) but he can plant any "programme crop" of his choice – wheat, feed grains, cotton, rice, oilseeds. Anticipating favourable prices next year, Mr Justice says he will plant grain sorghum.

Mr Justice is an eager supporter of the US proposal in the Uruguay Round to phase out farm programmes worldwide. As a comparatively low cost producer, he is willing to give up government payments if everyone else does. He believes that without subsidies, inefficient farmers will go out of business and prices will rise above the cost of production. No farmers, anywhere in the world, can withstand the losses incurred by cheap grain unless they are rescued by their governments.

"If I could get $5.51 for the price of my wheat (the estimated cost of producing it and transporting it to Europe), I would be on top of the world," he says.

It sounds good in theory, Mr Bennett says. But "a free market is not going to happen – because of politics, because people have gone hungry in the past, because Europe wants to protect its farmers. And most of all, he believes, because the giant grain traders who control most of US exports will depress prices when it suits them to undersell the rest of the world.

"It's not right when we export our products below the cost of production," he says. "We've got to quit raping this land. We've got to start putting something back into it."

Sugar 'more or less in balance'

By David Blackwell

THE SUGAR market is more or less in balance, with a surplus of about 1m tonnes or less than 1 per cent of consumption, according to the latest market report from E.D. & F. Man, the London brokers.

But while the short-term outlook is constructive, "we cannot predict a return to some sort of price sensibility," says the report.

The recent collapse in prices began in May when the supply-demand balance shifted towards a small surplus. The subsequent bear market became almost self-fulfilling, says the report, which points out that total annual trading volumes in futures in New York, London, Tokyo and Paris amount to about 20 times the world free market trade.

Now an additional purchase by the Soviet Union, Mexican interest for the 1991 season or an increase in the US quota "could tip the price cover equation from negative to positive and attract speculative involvement on the buying side; in this case the roller-coaster would be well off in the other direction and it is difficult to predict to what level."

Eastern European agriculture in double jeopardy

Nicholas Denton describes the complex problems to be overcome in rejoining the world economy

EASTERN EUROPEAN agriculture is in a double bind. Like everyone else in the formerly communist countries, farmers are struggling to escape from the absurdities of the command economy. But they cannot turn to the world market for salvation, as can those in other sectors, because the western agricultural system is riddled with its own distortions.

So, on the one hand, private ownership must be restored, monopolies broken up, quality emphasised over quantity and excess labour shed in the agriculture and food sectors as in all parts of the economy.

On the other hand, however, food producers face subsidised competitors in western Europe, which means that they cannot exploit fully their advantage of lower labour costs. Matching those subsidies is beyond the means of either government budgets, which are strapped, or consumers, who already spend high proportions of their low incomes on food.

Barriers to agricultural trade also undermine eastern European efforts to discipline domestic distribution monopolies with import competition. Furthermore, they inhibit foreign investors, for whom access to western European markets is an important incentive.

Eastern Europe's home-grown problems are bad enough.

Demands by former owners for the restoration of property confiscated by the communists plague most eastern European attempts at privatisation, but few so much as land privatisation.

This problem is most acute in Hungary, where the Independent Smallholders party won third place and the balance of power in the spring general elections on a platform of a return to the 1947 pattern of ownership. Their campaign has filled the co-operatives, which dominate Hungarian agriculture, with uncertainty and delayed privatisation. No-one will make significant long-term investments until they are confident of their property rights.

But even if former owners are satisfied by financial compensation it is unclear how many agricultural workers will embrace private ownership.

Poland alone is immune, because the Soviet-style collectivisation of agriculture never took hold there and 75 per cent of arable land is already in the hands of private farmers.

'The initial hope was that east Europe would start with a clean slate and not make the mistakes of the west'

In all countries, the move to a market economy will mean exposing hidden rural unemployment. Some estimates suggest that half of eastern Germany's 800,000 agricultural workers will lose their jobs. Poland is in a potentially worse position; a quarter of the labour force gains part or all of its income from agriculture, far above western and east German levels.

The privatisation of distribution is at least as important as that of land. In this field the aim is to break up the state monopolies and cartels that drive a great wedge between producer and consumer prices.

The ratio between retail and producer prices can go as high as 7:1 in Poland, according to the Polish delegation to the recent conference in Budapest on East European agriculture organised by the International Policy Council (IPC).

Distributors have often become freed from central price controls without being subject to the discipline of competition.

Food-processing also needs a thorough overhaul. The industry was a casualty of the classic planned economy focus on raw production. Eastern European foods are often of low quality, poorly prepared and unattractively packaged, making them vulnerable to sophisticated western European competition.

East Germany provided a dramatic illustration of this. The market for domestically produced food collapsed after economic and monetary union with West Germany as the notion that "west is best" took hold.

Shops selling expensive western products are proliferating in Hungary too and Warsaw has tiny stores-in-a-window with western fruit juice on offer.

Despite all of its present difficulties, eastern European agriculture ought to face the future with some confidence. After all, farming is a land- and relatively labour-intensive business, and the region has plentiful fertile land and cheap labour.

Market-gardening, soft fruit production and plant-growing, for instance, should be internationally competitive. Eastern Europe could export in these areas to balance its imports of highly processed foods from the west.

Moreover, the large size of farming units provides economies of scale in those countries, all except for Poland, where state farms and co-operatives are the norm. This advantage could be preserved if privatisation, as is likely, avoids breaking up these large units into unviably small plots.

But the realisation of this potential depends heavily on fair access to western European markets. That is impossible while the European Community's common agricultural policy remains in place and eastern European countries remain outside it.

In the meantime Eastern European countries have no option but to use some subsidies. Poland has instituted price support for sugar producers; Hungary is maintaining agricultural export subsidies while it dismantles those in other parts of the economy.

"The initial hope was that east Europe would start with a clean slate and not make the mistakes of the west," Mr J. B. Penn, senior vice president of Sparks Commodities, told the IPC conference.

That hope seems vain. Already, eastern European countries are doing as the west does, rather than as it says.

Soviet troubles strain Chinese tea earnings

ECONOMIC TROUBLES in the Soviet Union and Eastern Europe combined with shifts in drinking habits worldwide, are hitting China's tea growers hard, reports **Reuters** from Peking.

China's tea production is forecast to slump to 510,000 tonnes this year from 550,000 in 1989 and some plantations have been abandoned. Exports are expected to fall slightly this year from last year's 208,000 tonnes, against 198,000 tonnes in 1988, a director of the China National Tea Import-Export Corporation said.

The country is the world's second biggest tea exporter after India and sells mainly to the Soviet Union, Poland, Britain, Morocco, the US and Hong Kong.

Two major importers, the Soviet Union and Poland, have cut their tea imports heavily this year to an estimated 150,000 tonnes and 10,000 tonnes respectively, said the director, who gave his name only as Li. Both countries are suffering from a shortage of foreign exchange, he said. The Soviet Union imported 230,000 tonnes of tea last year.

The growing preference for tea bags has also hit China's sales as people consume less tea when they use bags.

WORLD COMMODITIES PRICES

MARKET REPORT

Copper prices resumed their recent downward trend on the LME yesterday after news that a strike at smelting and engineering works in the Zambian copper belt had been called off, traders said. The news also pushed down prices on Comex; by midday the December contract had traded as low as 112.50 cents a lb. Aluminium fell sharply in the morning as an unexpected easing in recent technical tightness of first half November supplies attracted a wave of speculative selling, liquidation and forward trade selling, dealers said. London robusta coffee futures closed easier as New York fell through key support at 88 cents a lb for December, traders said. "There were large sell stops under 88," said one New York trader. "Computer funds and other speculators shorted the market, and we saw continued origin selling. The roasters are well covered into December, and the warm weather in the US has kept hand-to-mouth buying light." London cocoa futures closed near the day's lows in response to currency movements, dealers said. The impending start of this season's Ivory Coast shipments contributed to the bearish trend.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$28.40-8.55y	-1.725
Brent Blend (dated)	$33.70-3.80	-1.40
Brent Blend (December)	$32.65-2.75	-1.35
W.T.I. (1 pm est)	$33.18-3.22y	-1.225
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$350-355	-6
Gas Oil	$307-309	-10
Heavy Fuel Oil	$126-128	-8.5
Naphtha	$299-304	-17
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$377.00	+1.00
Silver (per troy oz)♣	418c	
Platinum (per troy oz)	$418.00	-6.50
Palladium (per troy oz)	$93.85	-0.40
Aluminium (free market)	$1735	-170
Copper (US Producer)	120c	+1
Lead (US Producer)	51c	+1
Nickel (free market)	406c	-8
Tin (Kuala Lumpur market)	16.30r	-0.10
Tin (New York)	288c	
Zinc (US Prime Western)	70c	
Cattle (live weight)†	103.74p	+1.06*
Sheep (dead weight)†	151.57p	+12.0*
Pigs (live weight)†	73.66p	+3.16*
London daily sugar (raw)	$268.0q	+4.8
London daily sugar (white)	$305.5q	-0.5
Tate and Lyle export price	£246.00	+1.5
Barley (English feed)	£118.25	
Maize (US No. 3 yellow)	£159.00	+1.00
Wheat (US Dark Northern)	£87.00	
Rubber (Dec)♥	50.25p	-0.50
Rubber (Jan)♥	50.50p	-0.50
Rubber (KL RSS No 1 Nov)	240.0m	
Coconut oil (Philippines)§	$315q	
Palm Oil (Malaysian)§	$325y	
Copra (Philippines)§	$220.0t	+7.5
Soyabeans (US)	£137.5	-1.5
Cotton "A" index	83.05c	
Wooltops (64s Super)	404p	-2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Jan. u-Oct/Dec v-Nov. w-Dec/Jan z-Jan/Mar y-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)				
Raw	Close	Previous	High/Low	
Dec	218.00	[illegible]	223.00	218.00
Mar	213.20	215.60	216.40	212.00
May	213.80	216.00	216.60	213.60
Aug	216.00	216.00	218.20	
Oct	216.00	216.00	217.00	
Mar	216.00		214.00	
White	Close	Previous	High/Low	
Dec	300.0	303.0	303.0	300.0
Mar	298.0	301.0	300.5	297.7
May	297.5	301.0	300.0	297.5
Aug	301.0	304.0	302.0	300.5
Oct	283.0	287.6	284.5	283.0
Mar	280.0	283.0	281.2	279.7

Turnover: Raw675 (1578) lots of 50 tonnes. White 986 (619)
Paris- White (FFr per tonne): Dec 1500 Mar 1494, May 1494, Aug 1516, Oct 1455

CRUDE OIL – IPE ($/barrel)				
	Latest	Previous	High/Low	
Dec	32.26	34.05	33.20	31.90
Jan	30.90	32.80	31.85	30.95
Feb	29.70	31.00	30.00	29.40
Mar	28.45	30.00	28.65	28.45
IPE Index	33.92	34.78	33.95	33.80

Turnover: 25054 (8384)

GAS OIL – IPE ($/tonne)				
	Latest	Previous	High/Low	
Nov	293.00	302.00	297.00	287.75
Dec	283.50	289.00	285.00	275.25
Jan	271.25	279.00	272.00	268.00
Feb	256.00	263.00	256.50	250.00
Mar	238.75	248.00	243.00	235.00
Apr	227.00	233.00	231.00	220.00
Jun	227.00		228.00	227.00

Turnover 8638 (5926) lots of 100 tonnes

TEA

A good general demand was maintained this week, reports the Tea Brokers' Association. Coloury assams again proved a strong feature at fully firm rates. Plainer sorts were irregular but price levels showed little change. Bangladesh teas remained firm, bright liquoring Africans were well supported and tended dearer but mediums showed irregularity and were barely steady. Plainer descriptions met improved competition at fully firm rates. Ceylons attracted less demand and were generally easier. Offshore teas met fair support at firm rates. Quotations: quality 230p nominal, medium 137p, low medium 80p.

COCOA – London FOX (£/tonne)				
	Close	Previous	High/Low	
Dec	647	652	655	645
Mar	686	686	694	685
May	718	726	722	715
Jul	740	750	744	739
Sep	765	774	766	762
Dec	790	801	793	780
Mar	819	827	819	817

Turnover: 2068 (2057) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 2 665.30 (667.65) 10 day average for Nov 5 666.24 (665.74)

COFFEE – London FOX (£/tonne)				
	Close	Previous	High/Low	
Nov	559	569	566	558
Jan	574	588	585	568
Mar	561	589	587	565
May	573	579	576	569
Jul	587	595	596	585
Sep	609	615	612	609
Nov	620	630	622	620

Turnover: 4189 (5665) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 2: Comp. daily 71.42 (71.82). 15 day average 73.15 (73.36)

POTATOES – IPE (£/tonne)				
	Close	Previous	High/Low	
Apr	146.0	145.8	149.0	147.0
May	167.1	164.3	167.1	165.1

Turnover 248 (177) lots of 40 tonnes.

SOYAMEAL – HI-PRO (£/tonne)			
	Close	Previous	High/Low
Dec	105.50	105.75	

Turnover 0 (97) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)				
	Close	Previous	High/Low	
Nov	1318	1320	1320	1315
Dec	1338	1325		
Jan	1250	1260	1260	1250
Apr	1220	1230	1220	1215
BFI	1318	1312	1318	1312

Turnover 89 (71)

GRAINS – IPE (£/tonne)				
Wheat	Close	Previous	High/Low	
Nov	114.70	114.90	114.90	114.70
Jan	119.10	119.25	119.35	119.30
Mar	122.90	123.20	123.20	122.90
May	126.40	126.60	126.50	126.40
Barley	Close	Previous	High/Low	
Nov	113.50	113.60	113.60	113.45
Jan	117.30	117.40	117.30	
Mar	120.40	120.40	120.40	

Turnover: Wheat 87 (217), Barley 25 (35). Turnover lots of 100 tonnes.

PIGS – IPE (Cash Settlement) p/kg			
	Close	Previous	High/Low
Nov	95.0	94.0	95.0
Jan	91.3	91.0	91.5

Turnover 15 (26) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)						
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 24,865 lots
Cash	1745-50	1875-80	1750/1732	1730-2		
3 months	1658-60	1705-10	1708/1665	1662-4	1658-60	65,956 lots
Copper, Grade A (£ per tonne)						Total daily turnover 33,021 lots
Cash	1318-20	1346-8	1352/1328	1350-1		
3 months	1315-6	1336-8	1343/1313	1342-3	1310-1	112,186 lots
Lead (£ per tonne)						Total daily turnover 1,408 lots
Cash	370-2	370-2	372.50	372.5-3		
3 months	374-6	374-6	376/374	375-6	374.5-5	10,911 lots
Nickel ($ per tonne)						Total daily turnover 940 lots
Cash	8775-800	8825-75	8800/8775	8775-800		
3 months	8360-75	8375-400	8400/8350	8375-400	8375-400	7,727 lots
Tin ($ per tonne)						Total daily turnover 391 lots
Cash	6190-200	6190-210	6220/6210	6210-20		
3 months	6180-200	6190-200	6205/6180	6200-5	6180-60	8,603 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 4,117 lots
Cash	1265-7	1292-4	1293/1293	1290-2		
3 months	1286-7	1290-2	1302/1283	1291-3	1287-8	16,[illegible] lots

LME Closing £/$ rate: SPOT: 1.9575 3 months: 1.9415 6 months: 1.9105 9 months: 1.8917

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	376¼-377¼	191¼-192¼
Opening	376-376½	192-192½
Morning fix	377.05	192.255
Afternoon fix	376.90	192.022
Day's high	377¼-377¾	
Day's low	376-376½	
Coins	$ price	£ equivalent
Maple leaf	386-391	198½-199½
Britannia	386-391	196½-199½
US Eagle	386-391	198½-199½
Angel	386-391	196½-199½
Krugerrand	376-379	195½-197½
New Sov.	90-92	46-47
Old Sov.	90-92	46-47
Noble Plat	422.95-429.75	216.65-220.00
Silver fix	p/fine oz	US cts equiv
Spot	212.40	417.50
3 months	218.65	425.95
6 months	226.29	434.10
12 months	239.00	460.65

TRADED OPTIONS				
Coffee	Jan	Mar	Jan	Mar
500	77	71	3	19
550	38	39	14	28
600	15	19	41	56
Cocoa	Dec	Mar	Dec	Mar
600	51	102	4	14
650	18	69	21	31
700	4	43	57	56
Brent Crude	Dec	Jan	Dec	Jan
3000				
3050				
3100		385		289

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Nov	379.5	378.4	0	0
Dec	381.1	379.0	383.3	377.8
Jan	383.1	380.0	0	0
Feb	384.9	381.8	387.2	381.8
Apr	388.4	385.3	391.5	385.0
Jun	392.2	389.1	393.8	389.0
Aug	395.8	392.7	396.0	398.0
Oct	399.7	396.6	400.5	400.5
Dec	403.7	400.5	404.0	401.5

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Nov	416.6	416.6	0	0
Jan	425.6	420.6	428.8	416.8
Apr	430.3	425.4	431.8	421.8
Jul	434.8	430.3	433.4	426.5

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Nov	420.3	416.0	0	0
Dec	422.7	418.3	424.0	416.5
Jan	424.7	420.5	0	0
Mar	431.8	427.6	433.0	425.5
May	437.8	433.6	438.5	433.3
Jul	443.6	439.6	444.5	441.0
Sep	449.6	445.7	0	0
Dec	458.4	454.4	458.0	452.5
Jan	460.9	456.9	0	0
Mar	467.6	463.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	114.20	116.40	115.80	113.20
Dec	113.70	115.60	116.20	112.50
Jan	112.65	114.20	113.00	112.00
Mar	111.15	111.90	112.50	110.10
Apr	110.35	110.65	0	0
May	109.65	109.80	110.00	108.20
Jun	108.90	109.20	0	0
Jul	108.05	108.40	107.60	107.60
Aug	107.35	107.70	0	0
Sep	106.65	107.00	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Dec	32.70	34.00	33.50	32.40
Feb	30.80	31.80	30.85	30.50
Mar	29.20	30.20	29.60	28.20
Apr	28.05	29.05	28.40	28.05
Jun	26.30	27.30	26.65	26.30
Jul	25.70	26.65	26.00	25.65
Sep	25.00	25.63	25.00	24.66

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Dec	8570	8742	8800	8475
Feb	8425	8625	8560	8425
Mar	8025	8225	8150	8025
Apr	7640	7840	7750	7640
May	7325	7525	7400	7375
Jun	7085	7285	7200	7125
Jul	6990	7190	0	0
Aug	7020	7220	0	0
Sep	7125	7325	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1142	1147	1163	1138
Mar	1209	1211	1224	1204
May	1246	1249	1263	1244
Jul	1285	1283	1298	1285
Sep	1317	1315	1326	1326
Dec	1357	1354	1357	1357
Mar	1392	1389	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	86.00	88.70	89.00	85.80
Mar	89.75	92.40	92.60	89.70
May	92.35	94.75	95.10	92.15
Jul	94.30	96.90	97.20	94.30
Sep	96.25	98.85	98.50	96.25
Dec	99.20	102.25	100.70	0
Mar	100.45	103.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	9.55	9.71	9.85	9.47
May	9.58	9.70	9.67	9.52
Jul	9.60	9.69	9.65	9.56
Oct	9.57	9.69	9.65	9.51
Mar	9.67	9.77	9.58	9.55

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Dec	72.98	74.98	74.65	72.95
Mar	72.86	74.86	74.60	72.86
May	73.06	75.06	74.80	73.06
Jul	73.20	75.05	74.90	73.10
Oct	66.80	68.05	68.00	66.77
Dec	65.05	66.29	66.25	64.95
Mar	66.87	67.15	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	114.95	115.50	116.45	114.95
Jan	112.15	111.80	113.00	111.80
Mar	112.55	112.00	113.65	112.25
May	112.80	112.10	113.50	112.60
Jul	113.05	112.10	113.60	113.50
Sep	113.05	112.10	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Nov 5	Nov 2	mnth ago	yr ago
	1719.8	1719.8	1744.1	1656.6
DOW JONES (Base: Dec. 31 1974 = 100)				
	Nov 2	Nov 1	mnth ago	yr ago
Spot	124.64	124.90	126.78	131.34
Futures	127.83	127.87	130.60	130.14

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	581/4	592/4	592/0	580/0
Jan	597/4	609/2	609/4	596/4
Mar	612/0	624/2	623/4	611/0
May	625/6	637/2	635/4	624/6
Jul	636/2	648/6	646/4	636/0
Aug	636/2	645/4	646/0	636/0
Sep	619/2	625/0	627/0	618/4
Nov	611/4	615/6	618/0	610/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Dec	21.37	21.54	21.57	21.29
Jan	21.65	21.84	21.87	21.58
Mar	22.12	22.30	22.33	22.05
May	22.53	22.72	22.75	22.47
Jul	22.84	22.98	22.98	22.76
Aug	22.81	23.03	23.00	22.81
Sep	22.70	22.95	22.85	22.70
Oct	22.56	22.66	22.60	22.58
Dec	22.52	22.55	22.59	22.40

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	178.0	180.2	179.7	175.9
Jan	178.6	182.6	182.0	179.5
Mar	183.1	186.9	186.3	182.8
May	185.9	188.9	188.3	185.5
Jul	188.2	191.0	190.3	188.0
Aug	189.0	191.8	191.0	189.0
Sep	186.5	188.3	188.5	186.6
Oct	182.7	184.0	0	0
Dec	184.2	185.2	186.0	183.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	230/6	230/2	232/0	229/0
Mar	240/6	240/2	241/0	239/0
May	247/4	246/6	248/6	246/0
Jul	252/6	251/6	253/0	251/0
Sep	252/4	250/4	253/0	250/6
Dec	253/0	251/2	253/4	251/0
Mar	258/4	257/4	0	0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	264/2	265/2	268/0	261/6
Mar	278/6	279/2	282/4	276/4
May	288/6	288/2	290/2	285/2
Jul	291/6	293/0	295/0	290/0
Sep	296/4	298/0	299/4	296/4
Dec	309/0	310/0	309/0	308/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	77.20	77.10	77.42	76.97
Feb	74.62	74.72	75.15	74.50
Apr	74.67	74.90	75.15	74.60
Jun	72.45	72.75	72.92	72.40
Aug	71.05	71.30	71.40	71.05
Oct	71.42	71.50	71.60	71.42
Dec	72.25	72.27	72.25	72.25

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Dec	52.32	52.75	52.90	52.07
Feb	49.87	50.05	50.30	49.55
Apr	47.12	47.12	47.45	47.00
Jun	50.65	50.70	51.15	50.65
Jul	51.15	51.07	51.15	51.00
Aug	49.50	49.45	49.55	49.30
Oct	44.60	44.65	44.90	44.60
Dec	44.80	44.80	0	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	66.25	64.45	66.45	64.00
Mar	65.37	63.45	65.45	63.20
May	65.55	63.57	65.57	63.40
Jul	64.62	62.70	64.70	62.80
Aug	62.00	60.20	62.20	61.80

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LONDON STOCK EXCHANGE

Shares move higher but trading thin

A PROMISING start was made yesterday to what could be a difficult week for the UK equity market. Helped by sterling, which remained steady in spite of renewed falls in crude oil prices, UK equities responded readily to Friday's firm performance on Wall Street, which maintained its buoyancy in early dealings in the new session.

Trading volumes were thin, however, as the market braced itself for potentially significant developments later in the week in almost every area of its current concerns, beginning with voting today in the US mid-term congressional and state elections. Overhanging all other factors is the crisis in the Middle East, and the prospects of success for the visit there this week by Mr James Baker, the US Secretary of State, in maintaining cohesion within the ranks opposed to Iraq.

Account Dealing Dates		
*First Dealings:		
Oct 22	Nov 5	Nov 19
Option Declarations:		
Nov 1	Nov 15	Dec 6
Last Dealings:		
Nov 2	Nov 16	Dec 7
Account Day:		
Nov 12	Nov 26	Dec 17

*New-time dealings may take place from 8.30 am two business days earlier.

Domestically, political nerves steadied a little as senior ministers in Mrs Thatcher's government rallied to her defence against the political implications of last week's unexpected resignation of Sir Geoffrey Howe as deputy prime minister. Mr Douglas Hurd, the UK Foreign Secretary, yesterday made a strong defence of the European ideal before the Confederation of British Industry conference.

On Thursday, the conservative vote is expected to take another hammering at Bootle, the first of two pending by-elections and at which government candidates are likely to face electoral unpopularity.

Also due on Thursday is the UK government's key autumn statement, detailing spending plans for the coming financial year and its forecast for the domestic economy.

With Wall Street firm in London trading hours, showing a gain of 3.47 Dow points, London finished at virtually the best of the day, 19.4 up at 2,050.1. The first advance came in early trading, but was trimmed later when London rested on its oars waiting for New York to open.

However, turnover in equities was dismal, with the day's Seaq trading total of 306.3m shares around 25 per cent down on Friday's figure, which was itself regarded as unimpressive. Daily retail, or customer-driven business, on the UK stock exchange continues to give cause for concern.

The Stock Exchange yesterday debated proposals for remedying the serious illiquidity in market trading in many small company shares. More than 100, out of the 1,200 to 1,500 small company stocks quoted, have only one marketmaker; price quotations by marketmakers are the key to the London market system, and some in the market favour an order-driven system for small company stocks.

Although the UK market remained very cautious yesterday, there were signs of returning confidence in the medium-term outlook. Mr Roger Bootle, chief economist at Midland Montagu, told clients that UK interest rates will fall sharply, reinforcing his forecast that base rates will drop to 12 per cent by the end of January and to a low point of 11 per cent later next year.

S.G. Warburg, commenting that everything now depends on the currency and that sterling "need not fall much further," says that base rates at 13 per cent by the year end is still a plausible assumption. Nomura Research Institute, however, takes a slightly more cautious view. Chris Dillow of Nomura says that investors should not be disappointed if interest rates are not cut soon since the longer they remain at 14 per cent the greater the scope for "larger interest rate cuts later".

Hammerson letting boost

PROPERTY shares were boosted after Hammerson announced it had let a large part of a major City of London office development to National Power, the UK electricity generator. Hammerson "A", which went ex-dividend, closed 13½ higher at 568p.

National Power is to take 93,500 square feet of the 155,000 square feet of space at the 85 Queen Victoria Street development, due to be completed in April next year.

The news lifted the morale of the depressed property sector, and Land Securities ended 7 up at 510p while MEPC added 4 at 466p. One property analyst said: "This announcement shows the City office market still has some life in it." But he added that rental values were weak and that it was too early to talk of a recovery.

US tax may rise

Grand Metropolitan was among the poorer performers in the FT-SE 100 list. Marketmakers were united in blaming the fall of 5 to 552p on a series of sell orders while trading was quiet during the morning session. "It looks like an institution was selling quarters [blocks of 250,000 shares] around the market," said one marketmaker.

Two traders also pointed to a Kleinwort Benson note on a referendum today in California which might result in a rise in state alcohol taxes. The revenue raised would contribute to the costs of alcohol abuse and other welfare agencies.

GrandMet is the most exposed of UK brewing blue chips to the US, with Guinness and Allied-Lyons coming second and third. Trading in these two seemed unaffected by the note. Guinness firmed 3 to 716p and Allied added 4 at 470p. GrandMet was the only heavily traded stock of the three, with 2.9m changing hands.

Second-half warning

A warning by A.B. Foods, the milling and baking group, that profits growth in the second half of this year would be slower undermined an early rally.

The market had initially focused on a 19 per cent rise in interim profits to £132.3m, with the shares rallying 6 to 392p. But later they slipped back to close unchanged at 386p after the group said its second-half results would be affected by the trend in UK interest rates and the movement of the Australian dollar.

Mr David Lang of Henderson Crosthwaite said the results were better than expected but added that the warning of slower second-half profits growth had provided "a sting in the tail".

Most analysts left their full year forecasts unchanged, although with nearly half of A.B. Foods' profits coming from investment income, changes in money market rates could easily alter the estimates by £5m to £10m. Henderson Crosthwaite left its full year forecast at £312.5m, while Smith New Court was unchanged at £305m.

Thorn dimmer

Thorn EMI lost some of its brightness after the market reacted to a cut in forecasts. Broker BZW downgraded its profits estimate for the year ending March 1991 by £15m to £305m and the shares shed 8 to 594p.

BZW said it expected the interim results, scheduled for announcement next week, to be about £13m down on the same period last year, with the lighting division and the retail side both being affected by trading conditions.

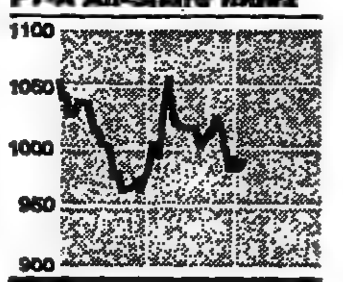
Hoare Govett also shaved its Thorn figures. It cited difficult exchange rate conditions, the pressure that the fall in consumer spending will impose on the music side of the group and difficulties for the lighting division.

US buying helped Reuters rally 36 to 626p. Turnover was a heavy 9.5m shares. Traders added that the proposed merger of BSB and Sky would reduce the likelihood that the latter's owner, News International, would sell some of its Reuters holding to reduce debt.

Glaxo continued to benefit from last week's good press on new products and added 9 at 767p.

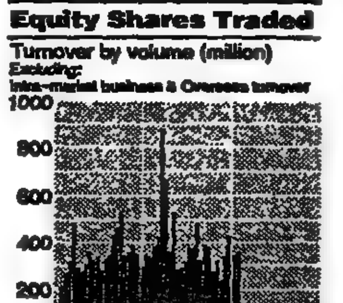
ECC Group was one of few Alpha stocks to move against the trend, losing 6 to 318p. Traders said apprehensions over the annual results, due on November 20, are causing the shares to behave erratically in relatively thin trading. Analysts expect the group to reveal sharply lower profits but they

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



are deeply divided in their estimates, which range from £98m to £125m. Last year ECC made profits of £150.6m.

Marley was a better performing stock, supported by a County NatWest buy recommendation. Sector researchers at the investment bank stressed they were not buyers of building materials shares, but were bulls of good stocks heavily dependent on housing whose share prices have smashed out of sight. "In other words we are massive bulls of Marley at these levels," they said. The shares ended 3 higher at 90p.

Consideration of the benefits arising from the sale of its 15 per cent stake in Tilbury, announced after the close of business on Friday, put Lilley up 4 to 49p. The UK construction group sold the 3.04m shares of Tilbury to Philip Holzmann, a leading German constructor, which now owns 29 per cent of Tilbury. Mild bid speculation nudged Tilbury shares higher to 530p.

An early flurry of activity in James Crosby, the north of England housebuilder, led to the company announcing that it was in talks which may lead to a takeover offer.

Speculation centred on two publicly quoted companies and a private concern. Crosby shares rose to 95p before closing 23 up on the session at 90p.

Nervousness about the forthcoming duopoly review prompted a broker's change of heart towards British Telecom. The stock fell 4 to 255p on above average volume of 6.2m. James Capel moved its stance from hold to sell, saying that it expected the review to be more radical than previously thought. It said that the more changes there were the more BT would suffer. Its altered recommendation also affected Cable and Wireless, which rose 14 to 418p as investors switched into the stock.

Speculation that Kleinwort Benson had changed its stance on British Steel prompted a decline of 1½ to 121½p on turnover of 4.7m. Kleinwort analyst Mr Colin Fell said: "We have made some comments on British Steel today", but he declined to give details.

American selling drove Rolls-Royce down 4½ to 160½p on trading volume of 6.3m after speculation that Goldman-Sachs had removed the company from its list of key buy recommendations. Goldman did not comment.

Renold, the chain manufacturer, fell sharply after announcing a 47 per cent drop in profits for the six months to the end of September. The shares closed 26 down at 57p.

Davies & Metcalfe, the engineering concern, rose 9 to 230p. After the market closed the company announced that it may be a candidate for a bid by a subsidiary of Thyssen Industrie.

Davy Corporation, the UK engineering contractor, fell 9 to 76p following adverse press comment and continuing worries about two of its contracts. Siebe strengthened its recent bounce and picked up 8 to 281p as the market continued to view the stock as oversold.

Ratners fell 8 to 191p after one of its suppliers, Abbeycrest, issued a profits warning. Dixons was unchanged at 140p after Kleinwort Benson lowered its current year profit forecast to £252.6m from 260m and next year to 265m from 280m.

Royal Insurance eased 8 to 362p after County NatWest reduced its dividend forecast for this year to 26p from 27p, and to 27½p from 29p for next year.

Awaiting today's interim figures from Rechem Environmental Services, the stock was helped by a County NatWest assessment of the waste management sector.

County's WM index has underperformed by 15 per cent over the past three months and, consequently, the premium ratings of many stocks have been significantly eroded. County does not anticipate any unpleasant surprises from Rechem, the company having signposted short-term problems. Weaker mid-term profits are expected to be followed by a much stronger second half. Rechem advanced 10 to 478p.

A report that the Department of Trade and Industry could be asked to investigate the affairs of Eurocopy, following customer complaints over its sales practices, exerted fresh pressure on the shares and they fell 12 to 164p.

In reply to the report, chairman and managing director Mr Cyril Gay said: "There is no reason whatsoever to make a public statement other than those made last month." The company then blamed misleading press comment for further complaints stemming from the misconception that contracts entered into by customers were unduly expensive.

Abbeycrest, the jewellery designer and distributor, dropped 33 to 98p after warning of a profits shortfall because it will not achieve the levels of business originally anticipated. However, the final dividend will be maintained.

Thomas French, a manufacturer of domestic fixtures, also promised to hold the final dividend, although it forecast a second-half loss owing to weak demand in the UK. The shares dipped to 45p before rallying to end 3 off on balance at 48p.

On a brighter note, news of interim profits some 51 per cent up on the previous year lifted Betterware Consumer Products 5 to 134p. Beleaguered Erskine House, the photocopying concern, recovered 4 to 39p.

All parties concerned with the proposed merger of BSB and Sky Television saw their shares rise. Granada, Pearson and Reed International, which, with Chargeurs, of France, are the main stakeholders in BSB, climbed 9 to 166p, 12 to 621p and 14 to 354p respectively. All three ended well below their peaks for the day.

News International, the UK-quoted arm of News Corporation, the Australian media multinational which owns Sky, jumped 24 to 125p.

Amstrad, the main supplier of Sky satellite dishes, which are expected to take over from the BSB's Squarials, rose 5 to 60p.

British Petroleum and Shell Transport rose ahead of third quarter figures due on Thursday. BP added 5 at 340p and Shell climbed 6 to 450p. Ultramar eased a penny to 315p on talk of a tightening of Californian environmental legislation.

Water shares slipped against the market trend, with several explanations provided. Top of the list was political anxiety; the weekend's differences in the Conservative Party increased the uncertainty of future ownership of the water companies. The opposition Labour Party has said it might return them to public control.

Some analysts also suggested that institutions would reduce their weightings in the utilities sector in preparation for the privatisation of electricity. Others said this was unlikely, given that many institutions feel they are still underweight in water stocks. Yorkshire lost 5 to 226p, Welsh shed 3 to 237p and Anglian slipped 3 to 224p.

■ Other Market statistics, including the FT-Actuaries share index, Page 23

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (21).
BRITISH FUNDS (8) INDUSTRIALS (1) Betterware Consumer Products, TRUSTS (11).
NEW LOWS (144).
AMERICANS (4) CANADIANS (7) BANKS (2) BREWERS (1) BUILDINGS (8) CHEMICALS (8) STORES (8) ELECTRICALS (12) ENGINEERING (18) FOODS (2) INDUSTRIALS (24) Abbeycrest, Anglo United, Arley, Bridon, Brierley Inv., Cannon Street Invs., Darby, Elkem, Eurocopy, Excalibur, Expamet Ind., French (Thomas), Ibex, Wartelle Free Series, Pentland, Plasticseal, Polymark, Scottish Heritable Trust, Securiguard, Siova B Free, Tribble Harris, UDO, Westerly, Wiltshire, LEISURE (4) MOTORS (5) NEWSPAPERS (2) PAPERS (2) PROPERTY (2) TEXTILES (1) TRANSPORT (4) TRUSTS (17) OILS (4) OVERSEAS TRADERS (3) MINES (12).

FINANCIAL TIMES STOCK INDICES

	Nov 5	Nov 2	Nov 1	Oct 31	Oct 30	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	80.35	80.09	80.26	80.24	80.11	84.02	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.45	88.13	88.07	88.85	88.62	93.31	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1581.1	1570.7	1572.1	1592.9	1575.3	1747.0	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	166.6	170.2	170.5	171.6	168.9	234.2	378.5 (8/2)	163.2 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2050.1	2030.7	2028.0	2050.3	2033.9	2168.6	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	977.14	978.39	973.08+	980.84	984.93	-	-	-	-	-

	Nov 5	Nov 2	Nov 1	Oct 31	Oct 30	Year Ago
Ord. Div. Yield	6.05	6.09	6.08	6.01	6.07	4.73
Earning Yld %(full)	12.61	12.68	12.67	12.52	12.65	11.38
P/E Ratio(Net)(☆)	9.61	9.56	9.56	9.68	9.58	10.64
SEAQ Bargns 4.45pm	17,624	20,982	19,458	20,588	16,856	28,611
Equity Turnover(£m)†	-	683.33	658.12	809.56	671.83	874.99
Equity Bargains†	-	20,252	17,875	18,168	16,565	20,313
Shares Traded (ml)†	-	352.4	345.5	412.7	332.5	302.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. ☆ Nil 9.48 0-indicative.

Ordinary Share Index, Hourly changes — Day's High 1582.3 — Day's Low 1573.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1573.8	1582.1	1580.1	1575.9	1573.7	1574.8	1578.5	1577.3	1578.0

FT-SE, Hourly changes — Day's High 2050.2 — Day's Low 2038.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2038.8	2050.2	2047.4	2043.8	2040.0	2040.4	2044.1	2044.2	2045.3

FT-SE Eurotrack 100, hourly changes — Day's High 980.77 — Day's Low 976.02

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
979.84	980.70	978.25	977.15	976.13	976.83	976.82

GILT EDGED ACTIVITY

Indices*	Nov 2	Nov 1
Gilt Edged Bargains	111.8	119.9
5 - Day average	114.9	115.9

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS — Contd

Index-Linked

1990 High	1990 Low	Stock	Price £	+ or -	(1)	(2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or -	Div. %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990 High	1990 Low	Stock	Price	+ or -	Div. Gross	Cvr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS — Contd

1990 High	1990 Low	Stock	Price	+ or -	Div. Gross	Cvr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

1990 High	1990 Low	Stock	Price	+ or -	Div. Gross	Cvr	Yld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

Managing director of Peek

Mr Alan Standley (pictured) has been appointed group managing director of PEEK, Abingdon. He was a partner in Schroder Ventures. Mr Michael Perry has retired from the board to concentrate on his investment banking.

■ Mr Jim Ainsworth, a director of Warrior International, London, has been appointed to the boards of Australian mining companies GWALIA CONSOLIDATED and SONS OF GWALIA. Mr Laurie Beevers, of brokers Charlton Seal, a division of Wise Speke & Co, has been appointed to the board of Gwalia Consolidated.

■ Mr Nicholas M.J. Pearce has been appointed to the board of PEARCE MAINTENANCE, part of Pearce Signs Group. He is additionally group marketing executive. Mr Pearce is the seventh generation of Pearce in the group.

■ AKELER HOLDINGS, Leeds, has appointed Mr Alan Davies to head its new waste management division.

■ THE DAIWA BANK has appointed Mr Martin Hooff, as deputy general manager, London branch. He was with BNP London, managing foreign exchange and treasury operations.

■ Sir Alun Talfan Davies has been appointed chairman of the BANK OF WALES from the end of January. He succeeds Viscount Tonypandy who, as Mr George Thomas, was Speaker of the House of Commons between 1976 and 1983. In 1972 Viscount Tonypandy was a founder-director of the bank, now 75 per cent owned by the Bank of Scotland, but had to relinquish the appointment two years later on being made deputy speaker. Sir Alun is deputy chairman of the bank.

■ MACDONALD & MUIR, which makes Glenmorangie, has promoted Mr Malcolm Todd from UK brands controller to marketing director. He succeeds Mr Ian Buxton who is leaving at the end of the year to set up his own marketing consultancy. He will continue to advise Macdonald & Muir.

■ Mr Robert Collier has been appointed senior vice president of strategic marketing for London-based INTER-CONTINENTAL HOTELS GROUP. He was senior vice president and director of marketing at ITT Sheraton.

■ VISCOUNT CATERING GROUP, Sheffield, has appointed Mr David Hargreaves as chairman. He was chairman of Hestair.

Mr Malcolm Snowball becomes operations director. He was technical director of M.K. Electric Group.

Mr Nicholas Moy, deputy managing director of Granville & Co, has been made a non-executive director.

■ UNIT TRUST ASSOCIATION has appointed Mr Philip Warland to the new post of director general from January 2. He is a deputy general manager at Standard Chartered Bank.

■ TUNGUM HYDRAULICS, Cheltenham, has appointed Mr Tim Clark as marketing director. He was business development manager, industrial bearings division, The Glacier Metal Co.

■ Captain Colin Barnes, director of flight crew and chief pilot, has been appointed a non-executive director of BRITISH AIRWAYS, and chairman of the air safety review committee from April 1, when Captain Jack Jessop retires from the board.

Captain Jock Lowe, chief pilot of Concorde, TriStar and DC10 aircraft fleets, becomes director of flight crew and chief pilot from April 1.

■ Mr Robert Atwood has become group financial director and company secretary of MID KENT HOLDINGS, parent company of Mid Kent Water, and Mid Kent Scientific Holdings.

■ Evans Medical, part of MEDEVA, has appointed Mr Michael J. Harvey as operations director. He was director of manufacturing, Celltech.

■ BELLWAY has appointed Mr Peter Burnett as managing director of Bellway Homes (West Midlands). He was managing director, Sterling Homes (Midlands), and succeeds Mr Roy Hayfield who becomes managing director of new subsidiary Bellway Estates.

■ GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION, Perth, has appointed Mr Russell Evans as assistant general manager, responsible for corporate planning. He was general manager-Asia, based in New Zealand.

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BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS — Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING — Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

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MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

For York Trust see Babcock Prebon

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible] ... Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1992. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -
Craig & Rose £1 ..v	700	......
Finlay Pkg. 5p....v	38	......
Holt (Jos) 25p.....v	1310	+5

IRISH

Stock	Price	+ or -
Cap. 8½% Ln. 1991	£98¼	......
9pc Cap Ln. 1996	£93⅜	-⅛
Fin. 13% 97/02	£110½	-¼
Arnotts	175	......
Carrol (P.J.)	154	......
Helton Hldgs......v	53	......
IRG	153¼	......
United Drug	135	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp.	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	10½
Brit. Telecom	22
Cadburys	26
Charter Cons	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5¼
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Racal Elect	14
RHM	25
Rank Org Ord	49
Reed Intnl	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	30

Property	p
Brit Land	24
Control Secs	3½
Land Securities	42
MEPC	38
Mountleigh	11

Oils	p
Aviva Petlm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	20
Gaelic Res	2
Premier	8½
Shell	40
Tuskar Res	6
Ultramar	31

Mines	p
Lonrho	21
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1650 per annum for each security.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro ©

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. [illegible]

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (♠) - 1701 to midnight. [illegible]

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. [illegible]

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. [illegible]

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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هكذا من الأصل

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing 0296 312156						
American Eagle	5	56.80	56.80	60.70	+1.03	1.27
Australia	5	5.241	5.241	5.609	[illegible]	4.75
Equity	5	137.1	137.1	147.3	+0.9	5.22
Euro Spec Sits	5	97.51	97.51	104.8	-0.4	0.66
Financial	5	23.95	23.95xd	25.75	+0.10	3.37
Global Opps Inc	5	56.37	56.37xd	60.71	+0.47	0.00
Global Opps Acc	5	56.79	56.79	61.16	+0.47	0.00
Gold & Gen Inc	5	35.23	35.23xd	37.93	-0.22	1.05
Gold & Gen Acc	5	65.66	65.66	70.70	-0.40	1.05
Income	5	85.19	85.19	91.60	+0.60	6.99
Japan & General	5	114.1	114.1	122.7	+1.30	0.00
Preference Share	5	17.30	17.30xd	18.62	-0.25	14.35
UK Capital	5	75.34	75.35	80.95	+0.52	4.32
World Income	5	51.81	51.81xd	55.67	+0.47	6.35
Worldwide Capital	5	143.7	143.7	154.6	+1.0	3.54
Templeton Unit Trust Managers Ltd (1200)F						
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932						
Global Growth Acc	6	89.50	90.21	96.48	+0.83	3.77
Global Growth Inc	6	85.99	86.67	92.70	+0.8	3.77
Global Balanced Acc	6	90.37	90.87	97.19	+0.56	4.94
Global Balanced Inc	6	84.19	84.66	90.55	+0.48	4.94
Value Tst Acc	6½	66.35	67.35	72.04	+0.92	4.77
Value Tst Inc	6½	64.70	65.67	70.24	+0.9	4.77
Intl Pen & Ch'ties Inc	2	84.90	86.29	90.59	----	4.04
Intl Pen & Ch'ties Acc	2	81.93	83.27	87.42	----	4.04
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE 071-251 6767						
Capital	5	45.08	45.35	48.24	----	[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Oct 31	35.8	37.2	----	2.91
Euro Expt Oct 31	47.5	49.8	----	2.64
Fixed Int Ex Oct 31	43.7	44.8	----	10.64
Japan Expt Oct 31	42.0	43.8	----	0.84
Managed Ex Nov 1	37.2	38.6xd	----	5.45
SE Asia Expt Oct 31	55.3	58.0xd	----	4.64
Sm Co. Expt Oct 31	29.5	30.9	----	4.97
UK Eqty Ex Oct 31	35.9	37.6	----	5.21
Phillips & Drew Fund Management Ltd				
Small Co's Oct 3	587.8	630.6	----	5.55
Do Accum	653.7	701.2	----	5.55
IM Expt Oct 24	146.9	149.2	----	4.41
UK Index Oct 3	955.0	975.6	----	5.25
Do Accum	1009	1029	----	5.25
Convertible Nov 2	76.45	79.05xd	-0.73	10.19
World ex UK Index Oct 22	648.6	657.6	----	2.28
Do Accum	648.6	657.6	----	2.28
Japan Index Oct 29	561.7	569.9	----	0.65
Do Accum	562.8	570.9	----	0.65
USA Index Oct 22	699.0	703.8	----	4.07
Do Accum	708.9	713.6	----	4.07
European UK Index Oct 29	792.7	812.5	----	3.01
Do Accum	805.0	825.0	----	3.01
Pacific ex Jap Index Oct 29	732.7	753.9	----	5.32
Do Accum	746.5	768.0	----	5.32
Managed Exempt Oct 31	87.90	89.57	----	5.75
American Exempt Oct 31	93.97	95.74	----	4.83
European Exempt Oct 31	102.3	103.6	----	5.2
Japan Exempt Oct 31	106.0	107.3	----	0.29

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	299.0	314.8	+1.1	–
UK Equity	373.2	392.9	+1.5	–
Overseas Eq.	284.0	299.0	+1.1	–
Americas	205.1	215.9	+2.1	–
Far East	308.0	324.3	+2.7	–
Property	191.2	201.3	-0.1	–
Fixed Int.	232.8	245.1	+0.8	–
Indexed Gilt	145.0	152.7	+0.1	–
Deposit	171.8	180.9	+0.1	–
Pension Fund (Accum Units)				
Managed	413.4	435.2	+1.4	–
UK Equity	474.6	499.6	+1.8	–
Overseas Eq.	468.8	493.5	+1.8	–
Americas	271.5	285.8	+2.3	–
Far East	510.7	537.6	+3.1	–
Property	237.3	249.8	–	–
Fixed Int.	282.6	297.5	+0.9	–
Indexed Gilt	159.4	167.8	+0.1	–
Deposit	236.2	248.7	+0.3	–
NPI Pensions Management Ltd				
Managed Fund	1928.8	945.4	–	–

Prices Nov 1 Next dealing Dec 3

Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	60.1	63.3	+0.2	–
Stock Market Mngd Fund	56.5	59.4	+0.2	–
Equity Fund	64.0	67.4	+0.3	–
International Fund	50.0	52.6	+0.2	–
European Fund	61.3	64.5	+0.1	–
North American Fund	47.4	49.9	+0.3	–
Pacific Fund	51.2	53.9	+0.1	–
Property Fund	86.5	91.1	–	–
Fixed Interest Fund	52.7	55.5	+0.2	–
Index linked Sec Fund	59.0	62.1	+0.1	–
Deposit Fund	65.9	69.4	–	–
NUAM Retirement Plans				
Mixed Fund	65.3	68.7	+0.3	–
UK Ordinary Share Fd	73.7	77.6	+0.5	–
International Fund	54.8	57.6	+0.2	–
Property Fund	83.9	88.3	–	–
Fixed Interest Fund	62.7	66.0	-0.1	–
Index Linked Sec Fund	62.3	65.6	+0.1	–
Deposit Fund	76.5	80.6	+0.1	–
NUAM (MF)				
Managed Fund	853.1	898.0	+2.6	–
Equity Fund	1770.1	1863.3	+5.8	–
International Fund	132.0	139.0	+0.5	–
Property Fund	547.7	576.6	+0.3	–
Fixed Interest Fund	395.1	415.9	+1.0	–
Index Linked Sec Fund	60.0	63.2	+0.1	–

Providence Capital Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Total Investment Bond				
UK Equity Initial	128.4		+2.5	–
UK Fixed Int Initial	107.7		+0.2	–
Intl Equities Initial	102.0		-0.1	–
UK Managed Initial	104.3		+0.4	–
Property Initial	164.0		-0.1	–
Money Initial	84.2		+0.1	–
Special Market Initial	94.3		+0.4	–
Japan Equity Initial	70.3		+0.9	–
North American Initial	62.0		+0.5	–
Pacific Initial	59.7		+0.1	–
Technology Initial	86.7		–	–
Nat Resources Initial	43.0		-0.6	–
European Initial	82.5		+0.3	–
Residential Prop Init.	93.8		–	–
Swiss Equities Initial	30.2		+0.8	–
Hong Kong Initial	42.8		-0.4	–
UK High Inc Eq Init.	57.6		+0.5	–
Int Fixed Interest Init.	49.5		–	–
Int. Managed Init.	49.1		–	–
HIP Managed Init.	95.1		-0.1	–
HIP Managed II Initial	84.3		+0.2	–
Broker Funds				
High Performance	60.7	64.0	-0.2	–
Towerhill Mngd Fd Acc.	31.4	33.1	-0.2	–
YRA Executive Fd.	83.4	87.9	+0.3	–
E Global Growth Acc.	109.9	115.9	-0.1	–
E High Income Money Acc.	132.4	139.6	–	–
IM Balanced	46.1		-0.1	–
H F Speculator Fd	114.3		–	–
PEP Acorn II	102.7		+0.2	–
PEP Cautionary	66.9		–	–
AAFS Int Man Fund	106.4		–	–
Andrews-Green Inv Port.	75.5		-0.6	–
Individual Pension Funds				
UK Equity Acc.	202.6	213.8	+2.1	–
UK Fixed Interest Acc.	195.6	206.4	+0.4	–
Intl Equities Acc.	190.7	201.2	-0.3	–
UK Managed Acc.	164.0	172.9	+0.7	–
Property Acc.	209.1	220.6	–	–
Money Acc.	150.0	158.3	+0.2	–
Special Market Acc.	189.7	200.2	+0.9	–
Japan Equity Acc	154.7	163.2	+1.7	–
North American Acc.	97.6	103.0	+0.9	–
Pacific Acc.	142.8	150.7	+0.2	–
Technology Acc.	141.2	149.0	–	–
Natural Resources Acc.	84.2	88.9	-1.1	–
European Acc	105.0	110.8	+0.5	–
Residential Prop Acc.	103.4	109.1	–	–
Swiss Equities Acc.	31.4	33.2	+0.8	–
Hong Kong Acc.	45.1	47.6	-0.4	–
UK High Inc Equ Acc	64.6	68.2	+0.6	–

Royal Heritage Life Assurance Ltd – Contd.

Royal Life Insurance Ltd

San Alliance International Life
PO Box 77, New St, St Peter Port, Guernsey 0481 714108

	Bid Price	Offer Price	+ or -	Yield Gross
North American Equity $	$7.62	8.20	–	–
Pacific Equity $	$7.47	8.05	–	–
Intl Currency $	$4.19	4.51	–	–
Intl Bond Fund $	$6.84	7.37	–	–
Gilt Fund £	£3.98	4.29	–	–
US Dollar Mngd Fd $	$1.57	1.69	–	–
Stlg Managed Fd £	£0.98	1.05	–	–

Target International Group

	Bid Price	Offer Price	+ or -	Yield Gross
Sterling Pens Plan	£0.70	0.76	–	–
US Dollar Pens Plan	$0.70	0.76	–	–
Yen Pens Plan	Y242	259	–	–
Ecu Pens Plan	Ecu0.63	0.68	–	–
Sterling Man Fd	£0.97	1.03	–	–
Sterling Fixed Int Fd	£1.54	1.63	–	–
US Dollar Man Fd	$1.11	1.18	–	–
US Dollar Fixed Int Fd	$1.41	1.49	–	–
Ecu Bond Fd	Ecu1.07	1.14	–	–
Davenport Chdwck £ Fd	£0.77	0.83	–	–
Davenport Chdwck $ Fd	$0.48	0.53	–	–
Davenport Chad £ F I	£1.08	1.17	–	–
LWI Universal Stg Mngd	£0.76	0.79	–	–
LWI Universal $ Mngd	$0.63	0.65	–	–
Matheson £ Pens	£0.75	0.79	–	–
Matheson $ Pens	$0.80	0.85	–	–
EDN MIM £	£0.85	0.92	–	–
EDN MIM $	$0.94	1.02	–	–
Royal Wessex Fund	£0.71	0.742	–	–
Wessex Special Sits	£1.00	1.043	–	–
Protrea $ Managed	$0.93	0.971	–	–
Protrea £ Managed	£0.97	1.017	–	–
Argent Stg Bnd		£10.59	–	–
Argent Stg Eqty Gth		£11.15	–	–
Mgd Composite No 1	$0.86	0.93	–	–
Mgd Composite No 2	$0.91	0.98	–	–
Zero Bd Mgd Comp	$0.92	1.00	+0.02	–
Zero Bond Mgd Comp 2	$0.88	0.95	+0.02	–
Japan Mngd Comp	Y956	1033	-13	–
Environment Mgd Comp	$0.82	0.89	–	–
CH 10	SFr1.08	1.17	–	–
LX 10	$1.07	1.16	–	–

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plnrs.) Ltd
Shelton Hse, High St, Woburn Sands 0908 281544

	Bid Price	Offer Price	+ or -	Yield Gross
D Aaron Mngd Ryl H.	184.5	194.2	–	–
D. Aaron Mngd Targ Bd.	187.2	197.1	–	–
D. Aaron Mngd Targ Pens.	100.2	105.5	+0.1	–
Opes Con Stan Bdz	119.1	125.3	-0.4	–
Opes Con Stan Pens	135.9	143.0	-0.6	–

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 01-836 4321

	Bid Price	Offer Price	+ or -	Yield Gross
Target Mngd Bond	181.7	191.3	-0.4	–
Target Mngd Pension	110.8	116.7	-0.1	–
Albany Life Acc.	164.8	173.4	+0.4	–
Albany Pens Acc.	203.7	214.6	+0.7	–

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda 809 295 4000
Orion $– 9.8907

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc
UK Agent: Ivory & Sime Plc. One Charlotte Square, Edinburgh EH2 4DZ 031 225 1357
GBC Nth America Inc* C$– 2.46
Approx Stlg Equiv £– 1.08
*Dealing Thursdays–Forward. Redemption Fee 1%

GUERNSEY (SIB RECOGNISED)

Adams & Nevile Fd Mngmt (Guernsey) Ltd
PO Box 255 St Peter Port Guernsey CI 0481 710651
Worldwest Bond Fd Inc £– 1.27 1.33
Worldwest Cap Fd Acc $– 1.29 1.39

BBV–Hambros Asset Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey CI 0481 710651
Bilbao–Vizcaya Euro 3 10.34 10.787

Grofund Invest Managers (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey CI 0481 710651

OFFSHORE INSURANCES

GUERNSEY (REGULATED)

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JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar hits record D-Mark low

THE DOLLAR fell to a record low against the D-Mark yesterday, depressed by interest rate differentials and the weakness of the US economy. It also touched the lowest level against the Japanese yen since February 1989 and fell below FF5.00 in terms of the French franc for the first time since April 1981.

Eurodollar interest rates are already below corresponding rates for D-Marks and yen after the US Federal Reserve appeared to cut its target rate for Federal funds by ¼ point to 7¾ per cent at the end of last month. Last week the German Bundesbank increased its Lombard rate - the facility used by commercial banks to borrow from the authorities - by ½ point to 8½ per cent and at the end of August the Bank of Japan raised its discount rate by ¾ point to 6 per cent.

Yesterday the Fed added reserves to the New York banking system, when Federal funds were trading at 7⅞ per cent. This tended to confirm the lower target rate, but some dealers believe that the weakness of the economy will encourage the Federal Open Market Committee to cut the Fed funds target rate again when it meets on November 13.

At the finish of trading in London the dollar had fallen to a record closing low of DM1.4860 from DM1.5020. It also declined to Y126.75 from Y128.60; to FFr4.9850 from FFr5.0425; and to SFr1.2505 from SFr1.2705. The dollar's index fell to 60.0 from 60.5.

Sterling remained the weakest currency in the exchange rate mechanism of the European Monetary System. The pound continued to suffer from political uncertainty, following last week's resignation of Sir Geoffrey Howe, the UK deputy prime minister, and from speculation about lower interest rates.

Last week the Confederation of British Industry warned that the UK economy is in recession, and yesterday's data on retail sales was further evidence of a sluggish performance. In the three months to September retail sales fell 0.7 per cent from the previous quarter.

Trading on London's financial futures market suggested that the market believes the UK Government's apparent unpopularity in opinion polls and the fear of recession will lead to lower interest rates despite Britain's relatively high inflation and the weakness of the pound in the ERM.

At last night's close sterling had fallen to DM2.9275 from DM2.9300, the lowest level since the pound became a full member of the EMS on October 8. It had also declined to FFr9.8225 from FFr9.8375; to SFr2.4650 from SFr2.4775; and to Y249.75 from Y251.00. On the other hand sterling gained 1.95 cents to $1.9705 against the dollar, helping push the pound's index up 0.1 to 94.3.

The French franc held steady in the ERM despite a narrowing of rate differentials between Paris and Frankfurt.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 5	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.262	-3.27	3.94	57
Belgian Franc	42.4032	42.3311	-0.17	0.71	12
Irish Punt	0.767417	0.767404	0.00	0.54	4
German D-Mark	2.05586	2.05682	0.05	0.49	2
French Franc	6.89509	6.90037	0.08	0.46	0
Dutch Guilder	2.31643	2.31973	0.14	0.40	-3
Danish Krone	7.84195	7.86784	0.33	0.21	-11
Italian Lira	1538.24	1545.47	0.47	0.07	-19
Sterling	0.696904	0.700678	0.54	0.00	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov 5	Latest	Previous Close
£ Spot	1.9705-1.9715	1.9590-1.9600
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

CURRENCY RATES

Nov 5	Bank rate %	Special Drawing Rights	European Currency Unit
Deutsche Mark	6.00	2.16081	2.05682
Neth. Guilder	7.25	2.43999	2.31973
French Franc	10¼	7.25162	6.90037
Italian Lira	12½	1623.84	1545.47
Japanese Yen	6	186.363	175.315
Norway Krone	8	8.44608	8.02484
Spanish Peseta	-	136.083	129.262
Swedish Krona	11	8.06975	7.66815
Swiss Franc	6.00	1.82982	1.73456
Greek Drach	20½	N/A	209.029
Irish Punt	-	N/A	0.767404

† European Commission Calculations.
* All SDR rates are for Nov 2

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

BASE LENDING RATES

[illegible]					
Beechmark Bank	14	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bank	14		
Clydesdale Bank	14	Midland Bank	14		
Comm. Bk. of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Futures point to cut

PRICES OF short sterling futures rose sharply on renewed speculation that another cut in UK bank base rates is likely in the near future. On Liffe the December contract discounted base rates of 13 per cent by delivery on December 19.

This was despite the fact that the pound remained at the bottom of the EMS exchange rate mechanism and below its central rate against the D-Mark.

Last week the UK Treasury warned that interest rates will not be cut until it is safe to do so, prompting the comment that if official statements are to be believed, December short sterling should be sold and that a reasonable level on this basis would be around 86.66.

UK clearing bank base lending rate 14 per cent from October 8, 1990

The contract opened little changed at 86.81, rising to a peak of 87.08, before closing at 87.04 compared with 86.82 previously.

On the cash market three-month sterling interbank fell to 13⅝-13½ from 13¾-13⅝ per cent, while 12-month money declined to 12¾-12⅝ from 12⅞-12¾ per cent.

The Bank of England forecast a day-to-day shortage of £600m on the money market and provided assistance of £506m.

There was no intervention before lunch, but in the afternoon the authorities bought £306m bills by way of £18m Treasury bills in band 1 at 13⅞ per cent and £288m bank bills in band 1 at 13⅞ per cent. Late assistance of around £200m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £890m, with exchequer transactions absorbing £375m. These outweighed a fall in the note circulation adding £560m to liquidity and bank balances above target of £125m.

In Paris the Bank of France allocated funds to the money market at 9¼ per cent, in line with the ¼ point cut in its official intervention rate, announced last Wednesday.

In Frankfurt call money fell to 8.30 from 8.425 per cent after the Bundesbank put funds into the money market at a slightly lower rate than on Friday. The central bank re-injected section 17 money, held on behalf of public authorities, into the banking system at a rate of 8.25 per cent rather than Friday's level of 8.35 per cent. At the end of last week call money touched the new Lombard emergency funding rate of 8.50 per cent.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

PUBLIC NOTICES

MMC INVITES EVIDENCE AND VIEWS ON THE PROPOSED ACQUISITION BY SLIGOS SA OF SIGNET LTD.

The Monopolies and Mergers Commission is inquiring into this proposed acquisition by Sligos, a company which is controlled by Credit Lyonnais, to determine whether or not such acquisition might operate against the United Kingdom public interest.

The Commission would like to hear from those who have information which could help the inquiry, and from those who have views on the proposed acquisition. Please write as soon as possible to the Reference Secretary (Sligos/Signet), Monopolies and Mergers Commission, 48 Carey Street, London WC2A 2JT.

LEGAL NOTICES

[illegible]

PERSONAL

[illegible]

MONEY MARKET FUNDS

[illegible]

JOTTER PAD

CROSSWORD

No.7,386 Set by QUARK

HIDDEN ANAGRAMS: Every Across clue contains a definition of the answer and an anagram hidden in the text. Definition and letters of the anagram do not overlap. Down clues are normal.

ACROSS

1 Used to check fuel, it picks derv (8)
5 The business to be covered had a genuine urgency (6)
10 If slaked, thirst is associated with a drink (5)
11 Here, no dictionary is so profound (9)
12 Depict some ozone as a compound (9)
13 Baulk (by a horse). See trauma produced (5)
14 Wait and net at least one fish (6)
15 Excitable dervish will give a speech, for example (7)
18 To cover in a mist what was once dull (7)
20 The Queen could be in this cape, a lady-in-waiting says (6)
22 Near a ring (5)
24 If she can run it indicates the right to vote (9)
25 The old tin-can means begging is taking place (9)
26 Mental picture of a team given by description (5)
27 A smaller dividend? Receiver sees it as nonsense (6)
28 The royal personage has access in private (8)

DOWN

1 Being fed up with one to cause disfigurement (6)
2 Quiet newspaper – dull I see, involving everyday business (9)
3 The cabby could deceive one (4,3,3,1,4)
4 Secured the passage and passed it on (7)
6 A lot of people get cross when this takes place (7,8)
7 Feature about one row (5)
8 Drink for a politician is dependent on chance (8)
9 It can provide finish for a long speech (6)
16 Try to prevent complaint (9)
17 Brought to a standstill, in the main (8)
19 Provide money when frayed, torn (6)
20 Pot could be a settler? (7)
21 Holiday spin but losing start (6)
23 World-weariness among outspoken nuisances (5)

Solution to Puzzle No.7,385

ACCUSATIONS COS
TYROL ACETYLENE
QUALIFIED CRUSH
ENNOBLE SUPS
ANTS TESTUDO
ASPIC MENDACITY
DALLIANCE PANEL
YES ARRANGEMENT

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Nov. 5	Nov. 2	Nov. 1	Oct. 31	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
‡Industrials	2502.23	2490.84	2454.95	2442.33	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.23	89.06	88.84	88.85	93.04 (3/1)	88.44 (24/9)	—	—
Transport	850.59	842.46	831.92	822.30	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.66	215.92	215.61	213.28	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

‡Day's High 2519.06 (2501.73) Low 2472.77 (2447.28)

STANDARD AND POOR'S

	Nov. 5	Nov. 2	Nov. 1	Oct. 31	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	314.59	311.85	307.02	304.09	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	368.44	364.85	359.80	356.82	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	20.92	20.41	19.40	18.99	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	171.49	170.07	167.59	166.17	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	291.58	289.98	288.90	287.79	382.48 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	340.76	336.45	330.61	329.84	469.60 (16/7)	325.44 (16/10)	486.73 (9/10/89)	54.87 (31/10/72)

	Nov. 2	Oct. 26	Oct. 19	year ago (approx.)
Dow Industrial Div. Yield	4.08	4.17	4.03	3.93
	Oct. 31	**Oct. 24**	**Oct. 17**	**year ago (approx.)**
S & P Industrial div. yield	3.54	3.42	3.59	2.97
S & P Indl. P/E ratio	14.43	14.86	14.15	14.25

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
C & S/Sovran	7,275,300	16	+ ⅛
Fannie Mae	2,758,100	30⅛	+ ⅞
Philip Morris	2,461,500	49	+ ¼
Citicorp	2,119,100	12⅝	- ⅛
BankAmerica	1,874,600	21⅞	+ 1⅛
Ford Motor	1,611,900	27⅛	+ ¾
Kemper	1,588,300	19⅞	+ ⅝
Pepsico	1,470,900	25	+ ⅝
Southern Co	1,416,600	26⅛	- ⅛
Gen Electric	1,386,800	53⅞	+ ⅞

TRADING ACTIVITY

† Volume (Millions)	Nov. 5	Nov. 2	Nov. 1
New York	147.510	168.700	159.270
Amex	8.676	9.281	10.911
NASDAQ	(u)	112.654	107.955
Issues Traded	1,994	1,982	1,982
Rises	1,027	1,086	889
Falls	543	453	612
Unchanged	424	443	481
New Highs	15	11	8
New Lows	11	89	137

CANADA

TORONTO	Nov. 5	Nov. 2	Nov. 1	Oct. 31	1990 HIGH	1990 LOW
Metals & Minerals	2575.26	2600.39	2612.30	2606.99	3453.05 (4/1)	2575.26 (5/11)
Composite	3095.24	3085.48	3085.80	3081.26	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1651.19	1642.55	1644.12	1640.20	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 5	Nov. 2	Nov. 1	Oct. 31	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1313.3	1291.2	1303.0	1327.2	1713.7 (2/1)	1291.2 (2/11)
All Mining (1/1/80)	634.2	627.2	628.6	639.2	860.8 (5/1)	627.2 (2/11)
AUSTRIA						
Credit Aktien (30/12/84)	454.79	446.02	(c)	448.30	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5187.85	(c)	(c)	5205.78	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	342.43	343.73	344.31	345.92	388.29 (30/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	407.1	412.4	409.5	413.2	677.3 (23/1)	398.9 (24/10)
FRANCE						
CAC General (31/12/82)	431.44	430.45	(c)	428.11	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1620.57	1634.88	(c)	1645.57	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	617.56	615.98	617.05	622.09	832.32 (19/7)	589.69 (28/9)
Commerzbank (1/12/53)	1753.8	1749.3	1750.4	1765.8	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1414.95	1414.38	1417.26	1433.82	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2967.24	2978.92	2968.74	2990.96	3559.89 (23/7)	2736.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1308.33	1296.35	1308.29	1306.48	1893.10 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	551.75	555.09	(c)	560.54	763.52 (14/5)	551.75 (5/11)
JAPAN						
Nikkei (16/5/49)	24385.33	24194.99	24295.16	25194.10	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1801.23	1786.38	1794.79	1866.12	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3254.12	3235.04	3277.79	3343.58	4477.36 (16/7)	2859.49 (1/10)

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4pm prices November 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37⅞	9½	AAR	.48	4.6	6	441	10⅜	10⅛	10⅜	+ ⅛
9⅛	7⅞	ACM n	1.01	12.		241	8⅛	8⅛	8⅛	
11⅛	8⅜	ACMIn	1.26	12.		1023	10⅛	10	10⅛	+ ⅛
9⅛	6½	ACM M n	1.01	14.		157	7⅞	7⅛	7⅛	– ⅛
12⅛	10	ACMMM	1.50	13.		158	11⅛	11⅛	11⅛	
11½	8⅜	ACM Sc	1.26	13.		1425	9⅜	9⅛	9⅜	+ ⅛
9⅜	7⅛	ACMSp	1.01	12.		x568	8⅜	8⅛	8⅛	+ ⅛
24⅝	15⅞	AL Lab	.16	.9	16	125	18⅜	18⅛	18⅜	+ ⅛
5⅜	1	AM Intl				885	1⅜	1⅛	1⅜	+ ⅛
21⅞	4⅜	AM In pf	2	34.		17	5⅞	5⅜	5⅞	+ ⅜
79½	39⅜	AMR			14	3245	48⅞	47⅛	48	+ ⅛
28½	25	AMR pf	2.67	10.		8	26	26	26	+ ⅛
4	1½	ARX			5	71	1⅝	1⅝	1⅝	+ ⅛
72⅛	38⅛	ASA	3	6.8		861	45⅛	43⅛	44⅛	+ 1
3½	3⅛	ATTC wt				268	3½	3½	3½	+ ⅛
49⅜	31⅛	AbtLab	s.84	2.0	19	7902	41⅛	40⅜	41	+ ⅜
14	11⅛	AbtIbi	g .50			10	11⅛	11⅛	11⅛	+ ⅜
11⅝	4⅝	AcmeC	.40	7.0	7	16	5⅛	5⅛	5⅛	+ ⅛
9⅜	5⅛	AcmeE	.32	5.6	9	x38	5½	5½	5½	+ ⅛
32⅛	18⅞	Acuson	s		20	572	25⅛	24⅛	24⅞	+ ⅛
16⅞	14⅛	AdaEx	2.05e	14.		75	15⅛	15⅛	15⅛	+ ⅛
16⅜	10	Adobe				92	11½	11⅜	11½	
21⅜	18⅛	Adob pf	2.40	12.		4	20	20	20	– ⅛
11⅜	3⅞	AMD				1382	3⅞	3⅛	3⅛	
32⅝	13	AMD pf	3	20.		29	15	14⅛	15	+ ½
9⅛	1⅜	Advest	.16	8.5		52	1⅞	1⅛	1⅞	+ ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
		– X – Y – Z –								
60½	39	Xerox	3	6.5	6	1812	51⅞	31½	51½	+ ⅛
32⅞	15¾	XTRA	.72	5.0		48	14⅞	14¾	14⅞	
25	12⅞	XTRA pl1.94		15.		1	13	13	13	+ ⅛
4	⅝	Zapata				529	¾	⅝	11-16	−1-16
9½	3⅛	Zemex				14	3⅛	3⅛	3⅛	− ⅛
13¾	4	ZenithE				1714	6⅝	6⅜	6⅝	+ ⅛
19¾	9⅞	Zenital	.90	8.6	7	244	10¼	10⅛	10¼	+ ⅛
6	4½	Zenix	.93	19.		192	5	4⅞	5	+ ⅛
17⅛	8⅞	Zero	.40	3.8	11	x74	10¼	10⅛	10⅛	− ⅛
51⅛	29⅝	Zurnin	.88	2.8	14	227	32⅝	31⅛	31⅛	− ⅞
12⅞	10⅛	Zweig	1.16e	11.		293	10⅛	10¼	10⅜	
10	7⅞	ZweigTl	.84	9.9		613	8½	8⅜	8½	

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices November 5

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
PlyGem	.12	6	38	5¼	5⅛	5¼	
Presd A	.10		9	6½	6½	6½	
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices November 5

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
WiserO	.40	28 159	16⅞	16½	16⅞	+ ⅛
Wolohn	.28b	7 74	12½	11¾	12	− ½
WlvExp		666	6½	6⅜	6¼	
WlvEx pf		95	17	16¾	17	
Worthg	.60	15 78	20¾	20¼	20¼	− ⅛
Wyman	.60	288	7½	7	7½	
– X – Y – Z –						
XL Dta		4 77	7¼	7	7	− ¼
XOMA		1949	17	16½	17	
Xilinx		311	12½	12¼	12¼	
YanEnS	1.52	15 1087	19	18½	19	+ ¼
YelowF	.94	25 533	22	21⅝	22	+ ⅛
YorkRe		10 213	8½	8	8⅛	
Zeos		15 22	13½	12½	12½	− ½

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FINANCIAL TIMES Tuesday November 6 1990

AMERICA

Oil price drop helps to raise Dow above 2,500

Wall Street

PLUNGING oil prices and speculation that US interest rates will move lower helped Wall Street to gain further ground yesterday, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average managed to break through the 2,500 barrier to end 11.39 higher at 2,502.23 amid New York SE volume of 147.5m shares. A round of selling started at mid-day and dragged the Dow back from an early rise above 2,500, but it regained the upward momentum in the afternoon. On Friday the Dow advanced 35 points. Yesterday afternoon's gains were broadly based, with advancing issues leading falls by 1,027 to 543 and the Standard & Poor's 500 adding 0.47 at 310.45.

Stock prices were bolstered by a drop in oil futures. In late trading the December crude oil contract fell $2.04 a barrel to $31.96.

The stock market followed bonds higher yesterday afternoon. The Treasury's bellwether 30-year bond moved sharply ahead, gaining $\frac{3}{32}$. Traders were bullish about the prospect of further easing in monetary policy, following last week's economic data which underscored the weakness in the US economy.

Bank and thrift issues set the pace of trading in the morning as traders continued to concentrate on sectors that would benefit from lower interest rates. BankAmerica gained $1¼ to $21⅞ in heavy trading and MNC Financial added $⅜ at $4⅞.

Manufacturers Hanover advanced $1 to $18⅝, Chase Manhattan improved $¼ to $10¾ and JP Morgan rose $1 to $40⅛. Citicorp shed $¼ to $12¾. The company's debt rating was downgraded yesterday morning by Standard & Poor's.

A number of California thrifts were particularly strong. HomeFed added $⅞ at $5⅞ and Great Western Financial rose $1 to $10½.

Among the day's most active stocks, Federal National Mortgage Association (Fannie Mae) was up $⅞ at $30⅛, Southern Company slipped $¼ to $26⅝ and Philip Morris rose $1 to $49⅞.

Woolworth climbed $1⅛ to $27⅞. The company is expected to release its third quarter results on November 14. Analysts expect earnings of between 58 and 61 cents a share, compared with 54 cents in 1989.

Neiman Marcus weakened $1⅞ to $12¾ after General Cinema withdrew its $14 a share bid for Neiman Marcus's outstanding shares. General Cinema hardened $⅛ to $18⅛.

Gains were pronounced in the secondary market, with the Nasdaq composite moving 4.81 higher to 340.78 in the late afternoon.

Intel was quoted $1¼ up at $36¼ after the company introduced new computer chips which are expected to cut the cost of building video technology into personal computers. The new technology will also allow personal computers to store and edit moving images in a similar manner to the way it does with text.

MCI Communications added $¾ at $31⅞ after stating that it planned to build a transatlantic cable with British Telecommunications. The programme is expected to cost about $400m.

Canada

A SHARP fall in crude oil prices on news that Saudi Arabian oil production reached a 10-year high provided only limited support for the Toronto market, which saw thin trade.

The composite index improved 9.8 to 3,096.2 but overall declines held a slight edge over rises by 250 to 246. Volume amounted to 15.6m shares, down from Friday's 19.8m.

Gold issues gained 1.37 per cent as the bullion price in New York rose $3 to $379.25 an ounce. The oil and gas sector showed a small gain but Metals and Minerals shed 25.1 to 2,575.3.

EUROPE

Muted Dutch reaction to insurance/banking merger

A QUIET day left bourses mostly mixed to lower last night, *writes Our Markets Staff.*

AMSTERDAM gave a muted response to the proposed merger between NatNed, the insurer, and NMB Postbank. The CBS Tendency index closed 0.1 lower at 94.6.

NatNed and NMB were both suspended at Friday's closing prices of Fl 53.60 and Fl 37.60 respectively. Mr Jonathan Walker at Baring Securities said that the terms of the merger on first sight suggested that there could be a 25 per cent appreciation in NMB shares when they were requoted, while NatNed shares could fall back in the short term.

Pakhoed, the transport and storage company, which said it now held over 56 per cent of the non-voting stock in Furness, a stevedore company, eased 10 cents to Fl 199.40. Pakhoed, which is seeking full control of Furness, bought a 15 per cent stake held by Fidelity Investments, the US investment company, and an unspecified number of shares from other institutional investors.

Unilever was 20 cents weaker at Fl 146.10 before its third quarter results on Friday.

FRANKFURT moved some prices around, but volume was minimal, falling from DM3.5bn to DM3bn; and the price moves, once again, left the market indices with little change on the day. The FAZ index rose 1.66 to 617.56 at mid-session and the DAX, at one stage, was nearly 15 points higher at 1,429.29; however, it closed just above its low for the day at 1,414.95, up 0.63.

Carmakers, on balance, fell as the dollar hit yet another low against the D-Mark; Volkswagen closed DM6 lower at DM350.50, itself another low for the year. The "big three" chemicals, BASF, Bayer and Hoechst, were easier, too.

Banks are not affected by the lower dollar, and they are not cyclical in the same way as carmakers and chemicals, noted Mr Jens Wiecking of Merck Finck in Düsseldorf, but they are facing a squeeze on commission income and higher costs, and continued to decline yesterday.

Deutsche Bank fell DM4.50 to DM582.50. Its downgrading in UK brokers' lists from "buy" to "hold" leaves Siemens as the only one of the "big four" international institutional stocks – the others being Allianz and Daimler – in the "buy" category. Siemens rose DM5.50 to DM594.50 yesterday, up DM8.50 or 1.4 per cent over two days in which the market moved 0.2 per cent lower.

PARIS remained preoccupied with Gulf uncertainties and had another quiet day, with turnover again failing to reach FFr1bn by the official close. The CAC 40 index dropped 14.23 to 1,620.57 in trading worth about FFr900m.

Among the more active stocks, Peugeot dropped FFr12.50 to FFr490.40 in volume of 101,650 shares. There was an unfounded rumour that an investment bank had downgraded its earnings estimate for the carmaker. Michelin, the tyremaker, also fell in relatively busy trade, losing FFr3.30 to FFr64.60 with 116,960 shares exchanged.

Eurotunnel dropped another FFr1.40 or 3 per cent to FFr43.05 in active trading of 805,000 shares; the stock lost 8.4 per cent on Friday after the company announced a deeply discounted price for its rights issue.

Chargeurs, one of the four main shareholders in British Satellite Broadcasting, gained FFr34 or 4.4 per cent to FFr813 on 40,250 shares, after the weekend's news that the BSB satellite network is to be merged with that of Sky Television.

MILAN slipped to a low for the year in sluggish trading as yet another speculative story evaporated. The Comit index fell 3.34 to 561.75.

Over the weekend, Fiat said that it had ended its talks with Chrysler of the US on possible co-operation. Fiat fell L57 to L6,148. Mr Stephen Rietman of UBS Phillips and Drew said that, if the deal had gone ahead it would have meant a diversion of management away from pressing problems in the domestic market, where Fiat is losing market share. "This would have been operationally negative," he said.

ZURICH closed narrowly mixed on low volume, the Crédit Suisse index falling 2.9 to 477.6. However, insurers closed slightly firmer, as Winterthur said that 1990 profits should top the 1989 level and its bearers rose SFr70 to SFr3,530. Swiss Re, due to hold its annual news conference today, added SFr50 to SFr2,710.

OSLO and **STOCKHOLM** both closed at 1990 lows in quiet trading. In Oslo, the all-share index lost 4.72 to 493.32 in turnover of NKr120m, but banks made small gains after the new Labour government said that it had not ruled out state support for banks to help them meet stricter capital adequacy requirements from the end of 1992.

Sweden's Affärsvärlden General index shed 6.2 to 882.7, the fifth year's low in succession, in trading worth SKr129m.

HELSINKI also declined, with the Unitas all-share index moving 5.3 or 1.3 per cent lower to 407.1 in turnover of FM28m.

ATHENS bounced 5 per cent higher, with the banking sector leading gains, as the general index rose 41.35 to 949.64.

US recovery moderates effect of Japanese fall

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	−7.79	+3.72	+9.19	−2.86	−9.56	+9.42
Belgium	−0.29	+2.41	−19.72	−21.78	−25.63	−10.02
Denmark	−1.82	+2.60	−2.65	−7.50	−12.74	+6.58
Finland	+3.26	+0.90	−28.71	−29.78	−34.55	−20.88
France	+0.08	+3.47	−14.70	−21.75	−25.80	−10.22
Germany	−2.56	+2.47	−2.31	−18.09	−23.75	−7.75
Ireland	−1.90	+4.11	−17.44	−22.96	−26.73	−11.35
Italy	−2.93	−3.02	−19.86	−23.49	−28.96	−14.05
Netherlands	−2.18	+0.34	−13.33	−17.92	−23.48	−7.41
Norway	−5.34	−5.40	+14.16	+2.52	−4.72	+15.28
Spain	−4.20	+3.12	−26.47	−23.29	−25.52	−11.10
Sweden	−4.55	−5.43	−15.27	−30.02	−26.81	−11.44
Switzerland	−2.25	−0.59	−17.00	−20.80	−20.53	−3.85
UK	−1.54	−4.42	−7.82	−17.35	−17.35	−0.01
EUROPE	−1.86	−1.17	−18.[illegible]	[illegible]	−21.61	−5.15
Australia	−4.58	−3.99	−19.97	−20.07	−35.03	−21.40
Hong Kong	−3.14	+4.30	+5.29	+3.08	−14.74	+3.15
Japan	−4.34	+5.31	−36.24	−40.18	−44.72	−33.12
Malaysia	−4.03	+6.44	+1.92	−13.46	−28.54	−13.53
New Zealand	−8.88	−12.53	−39.28	−34.57	−44.79	−33.21
Singapore	−4.28	+2.53	−12.04	−19.81	−28.42	−10.98
Canada	+0.19	−1.88	−17.47	−18.23	−32.79	−18.68
USA	+2.34	+0.06	−8.65	−12.18	−27.42	−12.18
Mexico	+0.16	+15.24	+102.17	+84.34	+40.12	+89.58
South Africa	−1.54	−2.85	−3.14	−12.67	−31.65	−17.31
WORLD INDEX	−1.39	+1.43	−20.57	−25.18	−33.43	−19.45

† Based on November 2nd 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Ltd.

By Jacqueline Moore

RENEWED FEARS that war would break out in the Middle East pushed most stock markets lower last Tuesday, and they remained subdued for the rest of the week. However, a moderate gain by US stocks, helped by declines in the crude oil price, restricted the fall in the FT-Actuaries World Index to 1.4 per cent in local currency terms.

This was a fairly resilient performance, considering that Japan declined by 4.3 per cent in local currency terms. Smith New Court says in its global analysis that there have been hints, such as a rise in unemployment, that Japanese economic growth could be slowing down – necessary if domestic inflationary pressures are to ease. However, it adds that other indicators suggest that growth remains strong.

"Thus, with the bond/equity yield ratio having deteriorated sharply again this month, and the ratio of Japanese price/earnings multiples to the US market multiple looking stretched again, we prefer to be underweight in Japan," Smith New Court says.

The Pacific region also provided the week's worst performer, New Zealand, plunging 9 per cent in local currency terms. Share prices fell to six-year lows on gloomy economic and corporate forecasts, and even a change of government failed to inspire investors.

Across the water, Australia was also in poor shape, with a fall in the local currency index of 4.6 per cent. The heavy debt levels of several leading companies depressed investors, with shares in News Corporation losing 24 per cent – before the weekend's news of the merger of the Sky Television and British Satellite Broadcasting networks – and Adelaide Steamship, the trading and investment group, falling more than 70 per cent.

In Europe, Austria and the Scandinavian markets made the biggest moves. Austria dropped 7.8 per cent in local currency terms, but this was mostly technical, according to Mr Andrew Thomson at Kleinwort Benson. The market, which had made a steady recovery in October, was partly catching up with European share price falls on the previous Friday, when Vienna was closed for a holiday.

Norway and Sweden were the next worst performers, but turnover levels were light, suggesting no great selling pressure. Domestic political uncertainty in Norway culminated with the collapse of the government on Monday, and the formation of a new Labour government failed to stir up enthusiasm.

Sweden fell as investors showed disappointment with the government's austerity package, announced the previous week. Ms Anna Kihlstrand at Enskilda Securities said the market was expected to continue to drift in quiet trading until the budget in mid-January, when the austerity measures might be extended.

Nordic pride was salvaged to some degree by Finland, which achieved the week's best improvement with a rise of 3.3 per cent in local currency terms. This came in light trading, however, and merely reduced its loss so far this year to about 30 per cent.

ASIA PACIFIC

Nikkei strengthens after by-election result

Tokyo

THE STRONG yen and lower interest rates gave equities a firmer start to the week yesterday, and the ruling Liberal Democratic Party's by-election victory also lifted the market, *writes Emiko Terazono in Tokyo.*

Led by index buying and trimmed by small-lot profit-taking, the Nikkei index came off a day's high of 24,575.37 to end a net 190.34 higher at 24,385.33. The low was 24,232.01. Turnover remained thin with only small-lot trading individuals and dealers taking part. Volume shrank to 220m shares from Friday's 320m.

Advances led declines by 696 to 226, with 153 issues unchanged. The Topix index of all first section stocks rose 14.85 to 1,801.23, although in London the ISE/Nikkei 50 index gained only 1.11 to 1,354.46.

Although the LDP's victory in Aichi encouraged brokers to buy actively at the opening, institutional investors failed to follow suit.

A trader at a Japanese securities house said the slow trading was due to the fact that investors had not recovered their confidence in the market, and that no further moves were expected until the Gulf crisis was settled.

The lack of changes in fundamentals attracted buying in speculative issues such as Honshu Paper, which climbed Y130 to Y2,190. Other special situations included Atsugi Nylon, up Y30 to Y1,290, and Kabaya Industry, a maker of hydraulic devices for cars, which advanced Y26 to Y800.

NTT continued to rise on the company's plan to list the stock on the New York market and the LDP's move to support the shares. It was suspended temporarily during the morning session, and ended up Y10,000 at Y1.14m.

Suzuki gained ground after its announcement of a car assembly agreement with China. Although some of its morning gains were lost on profit-taking, it ended Y27 ahead at Y673. Other automobile issues were also firmer, Honda adding Y40 at Y1,390.

Large-capital issues, firm during the morning, erased their gains as profit-taking set in. Nippon Steel went down Y13 to Y437 and Mitsubishi Heavy Industries lost Y1 at Y734. Tokyo Electric shed Y10 to Y3,330.

Investors sold high-technology issues, including Matsushita Electric, down Y20 at Y1,700, NEC, off Y20 at Y1,390, and Fujitsu, Y10 easier at Y1,060. Chemicals were also weak, Takeda declining Y40 to Y1,710 and Daiichi Pharmaceutical Y20 to Y2,460.

Financials improved, with Industrial Bank of Japan rising Y90 to Y2,760, Mitsubishi Bank Y10 to Y1,760, and Sumitomo Y20 to Y1,700.

In Osaka, laggards advanced in thin trading. Nintendo gained Y200 to Y24,000 and Ono Pharmaceutical rose Y70 to Y5,350. The OSE average moved ahead 262.12 to 28,091.79 amid reduced turnover of 14.8m shares, around half of Friday's 28.2m.

Roundup

THE TURNROUND in Tokyo boosted most Pacific Rim markets yesterday.

AUSTRALIA made its first gain in nine sessions, supported by News Corp's sharp rally and a widening in the spread between the futures and the physical market. The All-Ordinaries index recovered 22.1 to 1,313.3, but turnover slipped to A$164m from A$181m.

News Corp jumped A$1.71 to A$6.10 after announcing on Friday that its Sky Television unit and British Satellite Broadcasting had agreed to merge their competing satellite television networks, ending a bitter and costly battle to win British viewers.

The December share price futures contract forged ahead 30.5 to 1,335.5, and this spurred arbitrage buying of the companies with large weightings on the index. Adsteam gained 18 cents to 78 cents after announcing plans to cut its debt by at least A$3bn over an 18-month period and to restructure the group.

TAIWAN soared as big players, awash with liquidity, re-entered the market. The weighted index climbed 222.97, or 6.75 per cent, to 3,527.88. Volume expanded to T$36.1bn from T$29.2bn.

NEW ZEALAND rebounded from a six-year low. However, the market was thought likely to weaken today on the news, after hours, that the incoming National Party government had inherited a much worse fiscal position than previously thought. The Barclays index closed 22.35 higher at 1,332.35, but turnover shrank to NZ$7.3m from NZ$12.8m.

HONG KONG went through 3,000 before succumbing to profit-taking. The Hang Seng index lost a net 11.68 at 2,967.24, while turnover edged up to HK$710m from HK$670m.

China Light and Power, which announced a 15 per cent rise in after-tax profits for its latest fiscal year, gave up 30 cents to HK$14.30.

SINGAPORE was cheered by Tokyo's rebound. The Straits Times Industrial index put on 1.82 to 1,133.92. Volume was steady at S$58.3m, after S$58.0m. News that Sime Darby was hoping to list its subsidiary, Pernas-Sime Darby, in Kuala Lumpur in early 1991 pushed the stock's price up 7 cents to S$2.46.

BANGKOK saw a rally in the financial sector as the SET index rose 15.63 to 673.06.

KUALA LUMPUR's composite index ended 1.69 up at 481.59.

SEOUL fell on rumours that banks would re-evaluate their assets. The composite index closed at 707.61, down 3.35 from Saturday, on volume of Won207.2bn.

MANILA concentrated on selected oil and commercial shares. The composite index eased 1.21 to 596.53.

BOMBAY ended mixed after a sharp early rally triggered scattered profit-taking. The BSE index rose 8.73 to 1,381.76.

SOUTH AFRICA

JOHANNESBURG continued to slip in persistently slow trading yesterday. The all-gold index slid 26 to 1,362, as bullion prices eased, while the industrial index fell 4 to 2,690 and the all-share 11 to 2,624. Vaal Reefs fell R5 to R243.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 5 1990								FRIDAY NOVEMBER 2 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (77)	121.64	+2.2	91.52	97.46	93.98	103.47	+1.6	7.45	118.98	90.42	96.72	92.91	101.85	158.31	118.98	150.11
Austria (19)	203.40	+2.0	153.03	162.97	157.14	158.04	+1.7	1.73	199.37	151.50	162.07	155.69	155.35	285.63	178.57	140.38
Belgium (61)	139.52	+0.2	104.97	111.77	107.78	105.80	−0.4	5.48	139.17	105.76	113.12	108.67	106.22	180.02	126.67	138.04
Canada (120)	124.30	+0.4	93.52	99.59	96.02	104.88	+0.4	3.78	123.75	94.04	100.59	96.63	104.39	153.61	121.24	147.91
Denmark (33)	257.59	+0.7	193.81	206.38	199.00	200.13	−0.2	1.48	255.73	194.33	207.89	199.69	200.51	277.62	234.05	210.87
Finland (25)	104.33	−1.1	78.50	83.59	80.60	78.00	−1.8	3.91	105.50	80.17	85.76	82.38	79.41	152.29	98.81	124.44
France (122)	140.87	+0.6	105.99	112.86	108.82	110.16	−0.6	3.74	140.08	105.45	113.86	109.37	110.80	168.85	124.69	129.10
Germany (91)	115.54	+1.2	86.93	92.59	89.26	89.26	+0.2	2.54	114.13	86.73	92.79	89.12	89.12	144.65	101.38	93.54
Hong Kong (46)	120.20	−0.4	90.50	96.37	92.93	120.41	−0.5	6.48	120.82	91.82	98.22	94.35	120.66	147.49	112.34	116.53
Ireland (17)	163.79	+1.8	123.23	131.25	126.54	128.18	+1.0	4.06	160.94	122.30	130.83	125.67	126.86	195.57	139.04	165.63
Italy (91)	84.74	+0.2	63.75	67.89	65.46	70.69	−0.9	3.48	84.60	64.29	68.78	66.06	71.33	109.28	80.87	87.97
Japan (454)	134.91	+2.2	101.51	108.09	104.24	108.09	+0.7	0.79	132.03	100.33	107.33	103.11	107.33	197.28	106.58	184.97
Malaysia (35)	200.34	+1.2	150.73	160.51	154.77	206.37	+1.1	5.01	198.04	150.49	160.98	154.64	206.01	250.89	182.96	191.22
Mexico (13)	550.64	−0.2	414.29	441.17	425.40	1764.57	+0.0	0.39	551.77	419.30	448.53	430.87	1764.57	581.41	324.53	295.62
Netherland (41)	134.71	+1.1	101.35	107.93	104.07	103.08	+0.1	5.21	133.23	101.24	108.30	104.04	103.01	149.03	127.56	122.55
New Zealand (16)	49.65	+3.1	37.36	39.79	38.37	42.96	+1.9	7.84	48.15	36.59	39.14	37.60	42.16	75.36	48.15	75.95
Norway (27)	229.98	−0.2	173.03	184.27	177.66	181.65	−0.9	1.70	230.38	175.07	187.28	179.91	183.40	278.79	202.34	171.97
Singapore (25)	158.48	+0.5	119.24	126.97	122.43	124.12	−0.2	3.44	157.75	119.88	128.24	123.19	124.42	209.24	147.24	164.28
South Africa (60)	161.65	−0.5	121.62	129.51	124.88	132.09	−0.5	4.11	162.52	123.51	132.11	126.91	132.80	251.39	151.50	159.24
Spain (42)	146.55	+1.1	110.26	117.42	113.22	103.92	+0.2	5.34	144.98	110.17	117.86	113.21	103.68	182.25	130.54	156.73
Sweden (27)	170.66	+0.6	128.55	136.90	132.01	140.70	−0.1	2.89	170.08	129.24	138.26	132.81	140.81	234.93	156.07	173.26
Switzerland (68)	92.16	+1.9	69.34	73.85	71.21	71.46	+0.5	2.98	90.45	68.73	73.53	70.64	71.24	109.77	85.00	84.37
United Kingdom (299)	161.61	+1.8	121.59	129.47	124.84	121.59	+0.8	5.72	158.69	120.59	128.99	123.91	120.59	176.18	138.87	140.47
USA (533)	126.03	+0.8	95.31	101.50	97.87	126.66	+0.8	3.91	125.62	95.46	102.12	98.10	125.62	146.95	119.06	135.22
Europe (963)	136.82	+1.3	102.94	109.62	105.71	104.49	+0.5	4.44	135.05	102.62	109.78	105.46	104.21	157.65	124.91	122.15
Nordic (112)	183.10	+0.4	137.76	146.70	141.48	140.59	−0.3	2.15	182.32	138.54	148.21	142.37	141.01	223.29	172.38	168.31
Pacific Basin (655)	133.60	+2.1	100.52	107.04	103.22	106.05	+0.7	1.17	130.83	99.42	106.36	102.17	107.28	192.75	107.62	180.92
Euro–Pacific (1618)	135.27	+1.8	101.77	108.37	104.50	107.33	+0.5	2.52	132.90	101.00	108.03	103.78	106.77	174.18	116.00	157.48
North America (653)	126.45	+0.8	95.14	101.32	97.71	125.25	+0.8	3.90	125.41	95.30	101.98	97.95	124.22	148.43	119.26	135.30
Europe Ex. UK (664)	121.16	+0.9	91.16	97.09	93.62	94.27	−0.1	3.53	120.03	91.21	97.59	93.75	94.40	145.62	109.94	110.09
Pacific Ex. Japan (201)	117.39	+1.2	88.33	94.07	90.70	103.67	+0.7	6.30	116.03	88.17	94.33	90.61	103.11	146.72	116.03	132.22
World Ex. US (1811)	135.40	+1.7	101.87	108.49	104.61	107.93	+0.5	2.57	133.13	101.17	108.23	103.98	107.38	173.77	117.12	157.25
World Ex. UK (2045)	128.58	+1.4	96.59	102.86	99.19	113.06	+0.6	2.68	126.64	96.24	102.96	98.90	112.38	162.00	115.37	149.15
World Ex. So. Af. (2284)	131.14	+1.4	98.67	105.08	101.33	113.75	+0.6	3.01	129.29	98.25	105.11	100.07	113.03	161.84	118.04	146.29
World Ex. Japan (1890)	130.77	+1.0	98.39	104.78	101.04	116.83	+0.6	4.21	129.45	98.37	105.24	101.10	115.16	151.59	124.31	130.96
The World Index (2344)	131.33	+1.4	98.81	105.22	101.47	113.88	+0.6	3.01	129.49	98.40	105.26	101.12	113.18	182.05	118.33	148.35

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FT LAW REPORTS

Expert's report is privileged

DERBY AND OTHERS v WELDON AND OTHERS
Chancery Division: Mr Justice Mummery:
October 17 1990

THE COURT has no power to direct a party to an action to disclose his expert witness's report on an issue if he does not intend to adduce oral evidence on that issue at the trial, irrespective of whether the report was originally communicated to solicitors for disclosure to the other side.

Mr Justice Mummery so held when refusing an application by the plaintiffs, Derby & Co and others, for an order for disclosure of a report of expert accountancy evidence by the defendants, Mr Anthony Henry David Weldon and others.

HIS LORDSHIP said that the allegations on the claim included false accounting, conspiracy to deceive and an alternative initial conspiracy.

The action had already been the subject of a numerous interlocutory orders, including an order granting leave to the plaintiffs and defendants to call five experts on each side, one of whom was to be an accountant.

In correspondence in August and September 1990 the defendants' solicitors indicated to the plaintiffs' solicitors that work was being done on their accountancy expert's report on the alternative initial conspiracy claim, and that they would be content to exchange reports on that part of the dispute.

The defendants now took the position that they did not wish to adduce expert evidence at the trial on the alternative initial conspiracy claim; that the court had no jurisdiction to order them to serve an expert's report on that issue; and that it would not be right for the court to preclude them from cross-examining the plaintiffs' expert witness on that issue.

They accepted that they would not be entitled at the trial to call expert evidence-in-chief on the issue.

The order giving leave to call five experts did not identify any issue to which the accountancy expert evidence would be related.

On the present application the plaintiffs sought an order, *inter alia*, that the defendants serve a report of their expert evidence on the alternative initial conspiracy, within 48 hours.

The issue was whether the court had jurisdiction to make the order sought.

The plaintiffs contended that the court had jurisdiction by virtue of section 2(3) of the Civil Evidence Act 1972 and the Rules of the Supreme Court made pursuant to that section.

Before 1972 it had been settled by three Court of Appeal decisions that reports of potential expert witnesses made on behalf of either party on the advice of legal advisers and for the purposes of preparing their case for trial, were privileged from production (see *Worrall v Reich [1955] 1 QB 296; re Saxton [1962] 1 WLR 968, 972,974; Causton v Mann Egerton (Johnsons) Ltd [1974] 1 WLR 162*).

Section 2(3) of the 1972 Act enabled important changes to be made with respect to the procedure affecting the evidence of expert witnesses.

It provided that "Notwithstanding any ... rule of law by virtue of which documents ... are ... privileged from disclosure", provision might be made by Rules of Court enabling a civil court to direct that parties should disclose to each other "in the form of one or more expert reports the expert evidence on matters of that class which he proposes to adduce as part of his case at the trial".

The opening words of subsection (3) expressly recognised the existence of privilege from disclosure enjoyed by reports of expert witnesses prepared for the purposes of pending or contemplated civil proceedings.

The statutory provisions did not remove the principle in such documents or require them to be produced on discovery.

What was contemplated by section 2(3) was a procedure whereby, as a condition of being permitted to adduce expert evidence at trial, a party might be directed to make pre-trial disclosure of his expert's report and, in case of non-compliance with such a direction, might be prohibited from adducing oral expert evidence on the matter specified in the direction.

RSC Order 38 rule 36(1) provided that expert evidence might not be called except with leave of the court or where the parties agreed "unless the party seeking to adduce the evidence (a) has applied to the court to determine whether a direction should be given under rule 37 ..."

Rule 37 enabled the court to give directions that experts' reports should be disclosed. It provided that where an application was made under rule 36(1) in respect of oral expert evidence "then, unless the court considers that there are special reasons for not doing so, it shall direct that the substance of the evidence be disclosed in the form of a written report ..."

The plaintiffs' primary submission was that by a combination of section 1(3) of the Civil Evidence Act 1972 and RSC Order 38 rules 36 and 37, the court had jurisdiction to order a party to disclose, in the form of a written report, expert evidence on an issue, even though that party did not wish to adduce expert evidence on that issue at the trial.

An obstacle in the way of that submission was the privileged status of an expert's report as recognised in the three Court of Appeal cases decided before the 1972 Act, and in the opening words of section 2(3) of the Act.

Mr Purle for the plaintiffs sought to meet that difficulty. While agreeing that privilege attached to draft documents embodying an expert's evidence for consideration by a party with his solicitors, he contended that privilege never attached to a report of an expert witness which had been communicated to solicitors for disclosure to the other side; or if it did attach, it was lost when a disclosure order pursuant to Order 38 rule 37 was sought or made or acted on.

The submissions were not accepted.

The privilege enjoyed by documents prepared for the purpose of pending or contemplated civil proceedings, or in connection with the obtaining or giving of legal advice was strong. It meant that a party or witness had a right to refuse to disclose documents or information falling within the scope of the privilege.

Neither section 2(3) of the 1972 Act, nor RSC Order 38 rules 36 and 37, expressly or impliedly removed or modified the privilege from production enjoyed by such documents under the pre-existing law of evidence and discovery of documents.

There was nothing in those procedural provisions which empowered the court to direct a party to bring into existence a privileged document embodying an expert's evidence on an issue, or to disclose it to the other side, when that party had no intention of adducing expert evidence on the issue.

Rules 36 and 37 only applied to a case where a party sought to adduce expert evidence on an issue. The defendants did not propose to adduce evidence from their expert on the alternative initial conspiracy issue. The court had no power under the rules to compel them to adduce such evidence. The rules did not confer on the court power to direct them to disclose expert evidence which they did not wish to adduce.

Alternative submissions based on the court's inherent jurisdiction to make orders if just and convenient, or if necessary and reasonable for the administration of justice, were also rejected.

If a particular procedure had been established by the Rules and there was no apparent lacuna, the court could not invoke its inherent jurisdiction to supplement or revise the Rules.

Compulsory pre-trial disclosure of expert evidence was governed by the Order 38 rules. They did not enable the court to order expert evidence on an issue to be disclosed where a party did not propose to adduce expert evidence on that issue.

Mr Purle sought to persuade the court that it could direct disclosure of an expert report pursuant to powers conferred by RSC Order 2 rule 2, which provided that in certain cases the court might "make such order (if any) dealing with the proceedings generally as it thinks fit".

That rule was concerned with a case in which there had been "a failure to comply with the requirements of these Rules". The defendants had not failed to comply with the requirements of the Rules if, as the court held, on the true construction of the Rules, the defendants could not be directed to disclose the expert's evidence.

The court had no jurisdiction under the 1972 Act or Order 38, or by way of inherent jurisdiction, or under section 37(1) of the 1981 Act, to make the order sought.

For the plaintiffs: Charles Purle QC and Stephen Smith (Lovell White Durrant); Michael Lyndon-Stanford QC and Richard Morgan (Lovell White Durrant)
For the defendants: David Hunt QC, Terence Mowschenson and Lindsey Stewart (Allen & Overy); Nicholas Chambers QC, Mark Hapgood and Michael Green (Hopkins & Wood)

Rachel Davies
Barrister

FINANCIAL TIMES SURVEY

WORLD COMMERCIAL VEHICLES

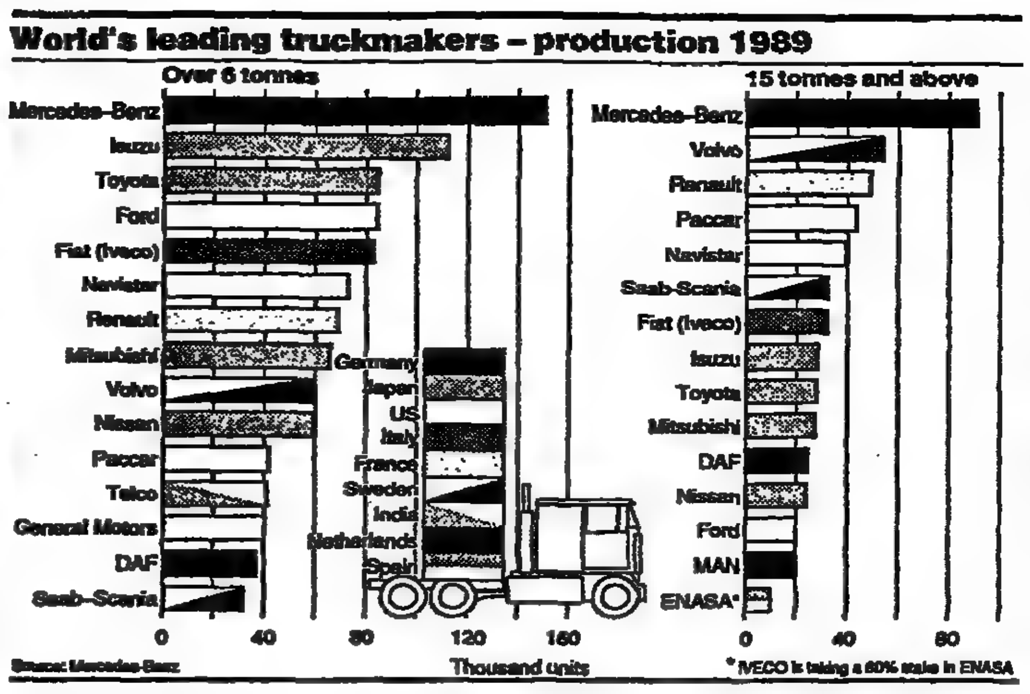
SECTION IV

Tuesday November 6 1990

With some important markets already in recession and several producers falling into loss, commercial vehicle makers face harsh challenges. As **Kevin Done** reports, renewed pressures on margins have sparked a wave of restructuring, notably in Europe

Realignment of forces

Slower sales but higher horsepower in European and US markets: examples of powerful trucks on offer — top, Renault's AE 500 Magnum and, below, a heavy duty truck from Kenworth, part of the Paccar group of the US



COMMERCIAL vehicle makers, and in particular the truck producers, face harsh challenges.

Demand in Europe is slipping from the record levels of the previous two years; some important markets are already in recession. Several North American and western European manufacturers have fallen into loss, and renewed pressures on margins and mounting investment needs are leading to another wave of restructuring in Europe.

In Japan, although manufacturers such as Hino and Nissan Diesel continue to benefit from high domestic and export demand for heavy trucks, the slump in domestic sales of midget commercial vehicles has deepened. Total output of goods vehicles fell by around one-fifth in the first half of the year, hitting specialist small van makers such as Daihatsu and Suzuki particularly hard.

In western Europe, truck makers face the de-regulation of the road haulage industry with the creation of the single European market from the end of 1992.

Cross border trade is expected to grow significantly, but this opportunity could be nullified by operators' ability to use existing fleet capacity more efficiently in a de-regulated market.

European producers are also having to come to terms with the opening up of eastern European markets, with the cost of expanding distribution and sales networks and, possibly, setting up local assembly operations. Daimler-Benz has already announced plans to build a truck assembly plant in eastern Germany.

The concentration of Europe's commercial vehicle industry is gathering pace, partly under pressure of falling sales, but more importantly in the face of spiralling development costs and the expenditure needed to meet tougher environmental regulations.

In the most significant realignment of forces in the European truck industry, Volvo of Sweden and Renault of France have embarked on a far-reaching alliance, which will make the new combination the world's biggest heavy truck maker, overtaking Germany's Daimler-Benz.

Together, Volvo and Renault account for more than a quarter of western Europe's heavy truck market (above 15 tonnes gross vehicle weight) with a combined share of 26.3 per cent (1989 figures), compared with Daimler-Benz's 19.4 per cent. Iveco of Italy took 18.2 per cent of the market, following its acquisition of a majority stake in Spain's Enasa, the state-owned maker of Pegaso trucks.

With Iveco's takeover of Enasa (which includes Seddon Atkinson, the small, specialist UK heavy truck maker) and MAN's acquisition of Steyr's truck operations in Austria, the future contours of Europe's truck industry are being drawn. The industry is dominated by three groupings, Daimler-Benz, Iveco (including Enasa) and Renault/Volvo, with shares respectively in the overall truck market (5 tonnes and above gross vehicle weight) of 23.8 per cent, 22.5 per cent and 21.7 per cent.

In the shadow of these big three come three medium-sized truck makers: *DAF of the Netherlands, which took over the UK's Leyland in 1987; MAN (including Steyr); and Scania, the heavy truck making subsidiary of Saab-Scania of Sweden. These three have shares respectively (five tonnes and above) of 9.2 per cent,* 8.1 per cent and 7.1 per cent (MAN is already linked with Daimler-Benz through the exchange of engine and axle components.)

Within Europe, only the UK truck industry remains fragmented, with a group of smaller truck producers maintaining a presence against all odds. These include ERF, the UK's only remaining independent, publicly-quoted truck maker; Foden (a subsidiary of Paccar of the US), the specialist heavy truck-maker; and privately-owned AWD, formed from the remains of Bedford after its disposal by General Motors of the US. GM pulled out of the European truck industry in 1987.

According to Mr Helmut Werner, deputy chairman of Mercedes-Benz, the automotive subsidiary of Daimler-Benz, *"by the end of the 1990s we will have three supranational strategic alliances in Europe, each with one major company at its core".*

Little more than a year ago there was a fierce competition involving Iveco, a German consortium of MAN and Daimler-Benz, Volvo and DAF to take over Enasa. The German team appeared to have won, but the deal was blocked by the German cartel authorities, anxious to avoid further collaboration between the two groups, which already control around 85 per cent of the German market.

It was left to Iveco to decide that the gamble on acquiring the beleaguered Spanish truck maker was still worthwhile. Under the Iveco deal, Enasa, which has around 30 per cent of the Spanish heavy truck market, has been valued at only Pta2bn ($20m) compared with the Pta36bn ($361m) valuation in the original deal with MAN and Daimler-Benz a year ago. The price that the Spanish government has been forced to accept reflects the harsh climate in which the industry is now operating.

While overall demand in Europe is falling, individual markets are experiencing *sharply contrasting fortunes.* The UK and Spain are in deep recession, while the German market remains strong, with heavy demand in eastern Germany.

This uneven pattern is having a dramatic impact on the financial performances of truck producers. MAN, which is highly dependent on its domestic market, recently announced a 45 per cent jump in net profits for 1989-90, and said that order books for the current year were at a record level.

In contrast, DAF, ERF and Enasa have all slumped into loss. Renault Véhicules Industriels (RVI) has also suffered a decline in profits, largely as a result of heavy losses at Mack, its US subsidiary.

In the US, heavy truck makers have endured two years of falling sales, with most confronting mounting losses. US market leader Navistar posted a $4m loss for the nine months to the end of July, compared with a $100m profit in the previous year.

Faced with an expected $180m loss at Mack this year, *RVI has chosen to take over* the outstanding 55 per cent of Mack equity it did not already own. Restructuring Mack is *now the French group's "top priority",* and it has moved in one of its senior managers as chairman and chief executive.

The takeover of Mack strengthens the global presence of the Renault/Volvo combination. Both partners have a substantial presence in the North American heavy truck market — Renault through Mack, Volvo through its 76 per cent-owned Volvo GM Heavy Truck subsidiary.

Daimler-Benz and Volvo/Renault are the only two groups which can justifiably claim to be world truck makers, with an established presence in Europe and in North and South America. Both are also seeking their first modest inroads into Japan.

Japanese truck makers have so far made little effort to enter the European heavy truck market, apart from Hino's small-scale licensed assembly operation in Ireland. However, they have moved into the light commercial vehicle market with local assembly of several vehicles ranging from Nissan and Isuzu vans to Toyota pick-ups and Suzuki microvans.

Some European van makers are also being compelled to join forces — DAF and Renault *have agreed to the joint development of a new medium/heavy van range* — but the main battle is still between the traditional forces. The European medium van market will be marked next year by the ambition of Germany's Volkswagen to regain market leadership from Ford. VW's Transporter medium van, developed and produced after an investment of around DM3bn, aims to topple Ford's highly successful Transit.

IN THIS SURVEY

Editorial Production:
Andrew Slade

The Ford Transit. Sentenced to twenty-one years hard labour down a salt mine.

This isn't Siberia, it's Cheshire.

The ICI Rock Salt Works at Winsford is Britain's only working salt mine.

Here, deep beneath the Cheshire countryside, is one of the most unusual commercial vehicle fleets in the world. Twenty Ford Transits ferry men and their materials around the mine, around the clock.

Before a Transit starts its life of penal servitude, it's sawn in half. This enables it to fit into the lift shaft. At the bottom it's simply welded back together again.

So sturdy is a Transit that even after this unconventional treatment they go on running for decades.

ICI's oldest has been underground for twenty-one years. *The last time it saw daylight, man hadn't yet set foot on the moon.*

Surprisingly, the salt hasn't rusted the veteran's bodywork as there's very little humidity underground. (Our anti-corrosion paint treatment probably helps a bit too.)

The roads are the real problem. Over a hundred miles of tunnel have been blasted out of the Triassic rock. Imagine driving over an endless succession of sleeping policemen and you begin to get the idea.

So punishing are the conditions that all ICI's Transits have to undergo a rigorous *mechanical inspection, as laid down by the* Mines and Quarries Act 1954. It's similar to an MOT test, but instead of being once a year, it's once a week.

As legendary as a Transit's toughness is its versatility. In addition to the short wheelbase 120 Standard Chassis Cab chosen by ICI there are over 36 other panel vans, chassis cabs and buses in the range.

And if that wasn't enough, Ford's Special Vehicle Operations department has also developed a number of modification packages. They help specialist bodybuilders turn Transits into tipper trucks, armoured security vehicles, cavernous Luton box vans, mini-skip wagons, the list goes on and on.

All are powered by a choice of 1.6, 2.0 or 2.9 litre petrol engines, or Ford's world beating 2.5 litre direct injection diesel.

It's little wonder that people who rely on vans rely on Transits. The Police, AA and RAC, Mountain Rescue and Ambulance Services all use them. As do thousands of fleets and small businesses everywhere.

For details of your nearest dealer and a copy of our commercial vehicles brochure contact the Ford Information Service free on 0800 01 01 12. Anytime.

You can always trust a Transit. Ford

WORLD COMMERCIAL VEHICLES 2

AFTER HALF a decade of rising sales, demand for trucks in western Europe has begun to fall. The development is uneven, however, with the steep recession in some markets (such as the UK and Spain) balanced by continued strong growth in Germany.

The sharply differing fortunes of key markets is leading to a stark divergence in the financial performances of Europe's truck producers. German truck makers Daimler-Benz and MAN continue to enjoy high levels of activity, with MAN reporting new orders at a record level and lengthening delivery times.

By contrast, some of the truck makers that have been exposed to the steep downturn in the UK and Spanish markets in particular have already plunged into loss. Most UK producers have been forced on to short-time working for long periods of the year and have had to reduce workforces.

According to UK-based automotive analysts, Automotive Industry Data (AID), overall truck sales (above 3.5 tonnes gross vehicle weight) in 14 western European markets rose to a record 324,500 last year, beating the previous peak of 1979 by 2.7 per cent. Sales had been on an unbroken upward trend since 1985 as the industry climbed out of the deep recession of 1981-84.

The AID report says, however, that "in this highly cyclical industry the good times seldom last for long, and already there are distinct signs of a slow-down." It forecast a fall in European truck sales of around 6 per cent for 1990.

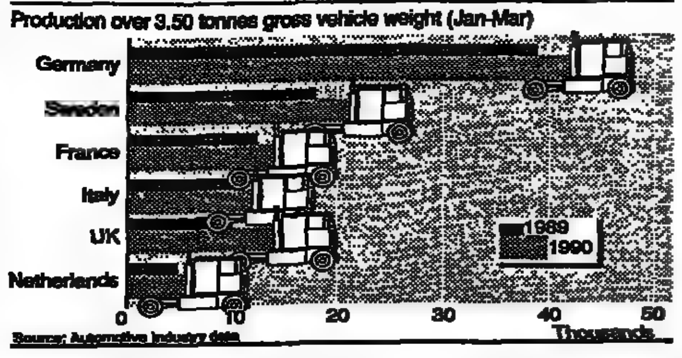
Forecaster DRI Europe is more pessimistic. Its latest study suggests that new truck registrations (above 3.5 tonnes) will decline by 7.3 per cent in 1990 in 15 markets to 309,000, from 334,000 in 1989, with further small falls in 1991 (1.7 per cent) and 1992 (0.5 per cent).

Truck production (above 3.5 tonnes) in western Europe is expected to fall by 11.7 per cent to 372,000, from 421,000 in 1989.

Demand this year has weakened most seriously in the UK, Spain, Sweden and the Netherlands. By contrast, German truck sales appear set to rise for the sixth successive year, the longest period of unbroken growth.

Western Europe: Truck production

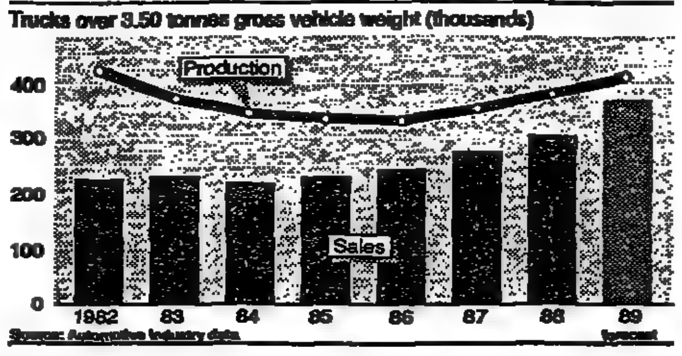
Production over 3.50 tonnes gross vehicle weight (Jan-Mar)



Source: Automotive Industry data

Western Europe: Truck sales v production

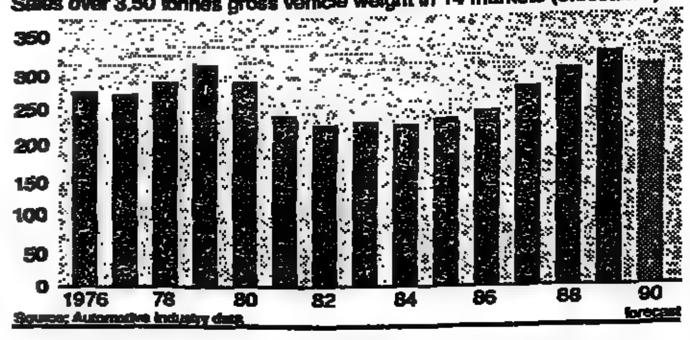
Trucks over 3.50 tonnes gross vehicle weight (thousands)



Source: Automotive Industry data

Western Europe: Truck registrations

Sales over 3.50 tonnes gross vehicle weight in 14 markets (thousands)



Source: Automotive Industry data

Demand in western Europe is falling, but the east offers opportunities, writes Kevin Done

Strong German market bucks the trend

New truck sales (above 3.5 tonnes) in western Germany jumped by 16.7 per cent to 40,470 in the first six months of the year – boosted by strong economic growth, a construction boom and the rapid increase in road transport to eastern Germany – whereas new truck registrations in the UK plunged by 29.9 per cent in the first nine months to 39,579, with heavy truck sales (above 15 tonnes) suffering most with a fall of 36.2 per cent, to 20,229.

European truck makers agree that demand overall is set firmly on a downward trend, but differ over the extent of the expected fall.

Mr Georg Karnsund, president of Saab-Scania, the Swedish heavy truck maker, says that heavy vehicle sales in western Europe are expected to fall by around 14 per cent this year, from 190,000 to 165,000. Earlier this year Mr Karnsund forecast that the downturn in demand which began in the second half of 1989 would be limited to a fall of about 10 per cent, but he maintains that the Gulf crisis has led to a further fall in demand. At the same time, "higher inflation and interest levels, accompanied by a lower rate of economic growth, have contributed to a

Most UK producers have had to reduce workforces

fall-off in the rate of investment."

Scania's profits were still at a high level, he said, but had fallen as a result of lower truck and bus deliveries and tougher price competition.

Mr Jean-Pierre Capron, chief executive of Renault Véhicules Industriels, the truck and bus subsidiary of Renault of France, says that "from all indications the commercial vehicle industry faces an extremely difficult period ahead." In the first six months of the year RVI suffered a 5 per cent fall in European sales and a 13 per cent drop in European production. Pre-tax profits of its European operations fell by less than 6 per cent to FFr780m, but it was burdened by rising losses at Mack Trucks, its troubled US subsidiary, which helped to depress RVI's overall profits by 34.6 per cent to FFr517m.

Hardest hit of the leading European truck makers is DAF of the Netherlands, which collapsed into a loss of Fl32.1m ($18.2m) in the first six months from a record net profit of Fl74.5m in the corresponding period a year ago.

DAF, which took over UK truck maker Leyland in 1987, derives around 40 per cent of turnover from the UK. It has suffered from the steep recession in the UK commercial vehicles market, the weakness of sterling and tough price competition. Truck deliveries volume in the first half of the year fell by 17 per cent to 13,470 from 16,231 a year earlier. It has been forced to cut back capital expenditure and has reduced its UK workforce. Despite the first half losses, DAF was still hopeful in its latest forecast that it would achieve a "small positive result" for the year.

The sharp decline in the UK market has hit the small British truck producers hard, as they have few sales in continental Europe to compensate for the weak domestic market. ERF, the last remaining independent publicly-quoted UK truck maker, plunged into loss in the second half of its financial year to the end of March and was forced to cut its dividend by one-third.

It has warned that the current year would be "very difficult", but even ERF, which came to the brink of financial collapse in the last recession in the early 1980s, must have been surprised by the speed of the downturn in the UK, which resulted in a loss of £474,000 in the second half of its financial year to the end of March 1990 from a record pre-tax profit of £5.2 million in the corresponding period a year earlier. In the middle of the year it was producing 9 trucks per day compared with 21 per day little more than a year before.

In contrast, MAN of Germany is benefitting from surging demand in the German market and recently reported a jump of 45 per cent in net profits in the year to the end of June. MAN forecast another "satisfactory" financial performance in 1990-91 helped by record order books which would ensure that the group operated at full capacity.

In the three months from

MAN forecasts a 13% rise in vehicle sales volume

July to September, turnover was 42 per cent higher than a year ago, while the value of new orders rose by 67 per cent (including an 82 per cent jump in the value of domestic orders). MAN forecasts a 13 per cent rise in vehicle sales volume in 1990-91 and a 26 per cent increase in group turnover.

According to Mr Wilfried Lochte, chairman of the management board of MAN Nutzfahrzeuge, the group had more than compensated for falling sales in some western European markets by increased deliveries in Germany. MAN's domestic order book had almost quadrupled in value in three years. Following the acquisition of the Steyr Austrian truck operations, MAN is transferring some truck assembly to Austria and is planning for an 18.5 per cent increase in its total medium and heavy truck production capacity to 32,000 a year by the end of 1992 (up from 27,000 at present and a predicted 28,000 at the end of the year).

Daimler-Benz, Europe's leading truck maker, is the main beneficiary of the surge in sales in Germany, where it controls close to 59 per cent of the market. Rising demand in Germany is due largely to the opening up of eastern Germany and Daimler-Benz has moved quickly to ensure that it gains the first permanent foothold in truck production in what was East Germany.

The speed of German reunification has led the company to abandon original plans to modernise part of the range of the former East German truck maker, IFA Ludwigsfelde. Instead, it is moving straight to the assembly of the Mercedes-Benz LN2 range of light and medium trucks (7-15 tonnes gross vehicle weight) at the existing works at Ludwigsfelde, near Berlin. In a second, more ambitious stage it plans to build a modern assembly plant by 1994 as an integrated part of its European production network, with an eventual capacity to build 40,000 light and medium trucks a year.

In the interim, Daimler-Benz plans to take a 25 per cent stake in a newly-formed Ludwigsfelde-based truck assembly company, which will assemble Mercedes-Benz trucks under contract.

Output is due to begin in spring next year and will rise from 6,000 in 1991 to 12,000 in 1992 and 18,000 in 1993-94. It is planned that the level of local assembly operations will increase as the local workforce is trained.

Around 2,000 will be employed in the interim stage rising to 3,500-4,000 for the full truck production plant. Daimler-Benz said it would be investing around DM1bn in the new plant in capital expenditure and working capital.

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PROFILE: Mercedes-Benz

Policy re-think

MERCEDES-BENZ, the world's largest commercial vehicle producer, has been rethinking its approach to worldwide manufacturing. Its truck division, whose sales last year were valued at DM23bn (£8bn), has abandoned its plan for a "world truck", a concept launched by General Motors a decade ago and still topical in the mid-1980s. Instead, it has assumed a much more pragmatic and flexible view of the global market.

It now sees a need to develop several different families of trucks, suitable for the part of the world where they will be sold. Insiders say that a new divisional structure at Mercedes-Benz, which two years ago split cars and commercials into two separate divisions, has given new impetus to the truck side of the company and its analysis of worldwide possibilities.

The heart of Mercedes-Benz truck manufacturing is its huge, showpiece factory at Wurth, on the Rhine near Karlsruhe. Built on a greenfield site in the mid-1960s, it is one of Europe's newest truck plants as well as the biggest and most highly automated. Output peaked at 110,000 units a decade ago, when the Middle East was booming and European trucks were less complicated than they are now. The output capacity of vehicles above six tonnes is now between 80,000 and 90,000 a year.

Three years of heavy investment at Wurth has produced unprecedented automation, although it is still less than is found in the car assembly works. Full order books for high value products are therefore essential to maintain profitability. In theory, that could put some other European, medium-sized assembly lines out of business.

Wurth has failed to meet demand over the past couple of years, however, and now Mercedes-Benz is taking over IFA, an east German producer based near Berlin which produces 6,000 units a year. Output at IFA is to be doubled initially to only 12,000 units. But the advent of Mercedes is set to transform the area just as dramatically as the its Wurth works revitalised a depressed, agrarian region 25 years ago.

The IFA works will be replaced by a new truck factory at Ludwigsfelde, just south of Berlin, due to open in 1994 at a cost of DM 1bn (£330m). Mercedes-Benz promises that it will be as modern as any truck plant, with a similar level of automation to Wurth and that by the mid-1990s it will be producing 40,000 light and medium trucks, from seven to 15 tonnes gross weight, with further expansion to follow.

This extra capacity will allow Mercedes-Benz to increase production of heavy vehicles at Wurth. It continues to produce most components for its own European production. Cabs, engines, gearboxes and axles are all built in-house, and in Germany. In its high degree of vertical integration it resembles Scania, the heavy truck specialist, and Renault. The price of this integration can be high – tooling up for the G4 range of heavy truck gearboxes, cost an initial DM400m (£130m) and even at that level, the Gaggenau works could not meet supply.

Mercedes-Benz: on the road to new plant in east Germany

Germany's growing market

Commercial vehicle registrations over 3.50 tonnes gross vehicle weight (thousands)

Source: Automotive Industry data

Despite the planned development of global manufacturing and assembly operations, German unification and the potential rapid growth of markets in eastern Europe emphasise the importance of Mercedes-Benz's operations at home. Mercedes-Benz still enjoys 57 per cent of its home market in spite of a decade of efforts by half a dozen rival manufacturers to establish a toe-hold in Germany.

Its concentration of European manufacturing in Germany also contrasts with the international spread of all its major European rivals. Mercedes-Benz's failure in September to secure ENASA, the Spanish truck company which also owns Seddon Atkinson in Britain, raised doubts about its commitment to truck assembly. However, Mercedes-Benz has re-affirmed its intention to "Europeanise our manufacturing base with the aim of securing our leading market position". Local assembly need not cost much. But it can make the manufacturing network local buyers.

Europe remains a discrete market. Most strikingly, attempts to sell European-built Mercedes-Benz engines in the US through Freightliner have had little success because of the strength of the independent engine makers. Freightliner produced 26,500 heavy trucks last year, but hopes to gain sales with a new generation of class 6 and 7 trucks this year. Mercedes-Benz has a strong presence in Brazil, the fourth largest producer of trucks above six tonnes after Japan (with 32.5 per cent of the output of the top nine countries), the US (24.2 per cent), and West Germany (13.2 per cent). Brazil (6.1 per cent) produced 61,000 trucks last year, of which Mercedes-Benz built 26,000. Mercedes-Benz do Brasil, which last year produced 38,200 trucks and buses, has emerged over the past 18 months as an increasingly autonomous operation which takes a leading role in the group's overseas efforts. It exported 10,000 vehicles last year to the US, Indonesia, South Africa and Latin American States.

It also launched its first own range last year. It presses and makes its own cabs and makes engines, gearboxes and axles. But the labour and investment costs are low, and the trucks are considerably less sophisticated than in Europe.

The group also has a truck and bus drivetrain assembly plant at Buenos Aires, hanging on with just 3,100 units built last year, although the group took almost half the Argentine market.

In Mexico, Mercedes-Benz has raised its share in FAM SA from 49 per cent to 80 per cent; production went up by 50 per cent to 3,400.

Mercedes-Benz also has local assembly in South Africa, Indonesia and Nigeria. It is weak, however, in Asia – a Japanese stronghold – and is negotiating to establish an Asian manufacturing presence, probably in India.

Jack Semple

Eastern Europe

Seeking links with the west

PRE-GLASNOST, the manufacture of heavy trucks in eastern Europe was centred in the Soviet Union, with medium trucks concentrated in East Germany. Hungary was responsible for bus production, while output of light delivery vans was spread across the region, linked to passenger car operations. The only exception was Romania, where the Brashov truck factory was set up to secure self-sufficiency.

The operations, production and export targets of these plants were controlled centrally. Trucks were allocated or produced for specific industrial enterprises according to their needs. There was little in the way of distribution networks. Some eastern Bloc exports could compete on the open market – IFA of East Germany and VAZ of the USSR even made a profit – but earnings were absorbed by the state instead of being reinvested in plant or product development. Diesel engines were slow to replace inefficient petrol units. Automation was largely unknown, there was substantial overmanning and a chronic shortage of components.

Even after recent political changes, eastern Bloc producers remain highly integrated. Individual plants handle everything from R&D to final assembly. Up to 90 per cent of the value-added components are sourced in-house. Bought-in components can account for over 80 per cent of production costs, compared with less than 1 per cent for labour costs.

Recent links with western producers have involved supply deals such as that between MAN and Belavtomaz in the

The market is set to climb to 1.3m vehicles by 1995

USSR. This provides for annual joint production of 5,000 heavy trucks with the Soviets supplying running gear and chassis and MAN providing engines, transmission and other parts. MAN also co-operated with RABA of Hungary in the production of heavy trucks and diesel engines and licensed the manufacture of diesel trucks at Romania's Brashov factory.

The AVIA trucks factory in Czechoslovakia was established in 1968 on the basis of a licence from Saviem of France. In Yugoslavia, the TAM factory has a history of co-operation with Iveco and FAP-FAMOS has operating links with Mercedes-Benz. Iveco and Zastava (ZCZ) have had a co-operation agreement since 1973 for license production of Italian trucks in Yugoslavia. This was broadened in October 1988 when the two partners set up a new company, Zastava Privredna Vozila (ZPV), to produce and market light commercial vehicles.

Forecasts from the Economist Intelligence Unit indicate that the market for 1m commercial vehicles in Eastern Europe is set to climb to 1.3m by 1995 and to 1.6m by 2000. Apart from direct export opportunities linked to this growth in the market, western producers have been reluctant to pursue the broad ranging equity tie-ups already adopted in the passenger car sector.

Major US producers Ford and Navistar are believed to be studying the market, but Japan has ruled out any quick breakthrough and has been dissuaded by problems of repatriating profits as well as poor co-ordination, lack of repair facilities and infrastructures.

As a result; negotiations tend to focus on short-term technology transfer deals. Joint component ventures have been agreed, notably covering diesel engines production, and western suppliers are keen to secure a share in the retooling and upgrading of production equipment. Most prized, however, is access to customers and after sales networks, both across eastern Europe and in aligned Third World export markets.

It is generally more difficult for a truck fleet operator to switch supplier than for a car buyer. He relies on the manufacturer's service and parts networks, as well as support and other logistical considerations. The significance of this was not lost on Mercedes-Benz when it struck up a partnership with three major truck producing companies of East Germany's VEB IFA Kombinat conglomerate in Ludwigsfelde.

IFA has produced one basic model, the W50, for 25 years. A more modern L60 was introduced three years ago. The Kombinat comprises some 25 facilities set up so that 90 per cent of components could be sourced in-house. Mercedes-Benz has been active in introducing its suppliers to these operations but few are expected to survive.

Original negotiations provided for a joint design, production and sales agreement. The L60 was to be modernised, retaining its existing engine, transmission and axle but with a modified Mercedes cab. A prototype was developed, but with the latest collapse in IFA sales in Germany, Mercedes-Benz is rethinking the venture.

Instead, joint assembly of existing Mercedes medium LN2 trucks will begin at Ludwigsfelde next spring and a new truck plant is to be built with investment of more than DM1bn ($660m). It will begin output in the mid 1990s, with production capacity expected to reach 40,000 units.

The former IFA truck monopoly is to be reconstituted as a new company, LKw-Montagegesellschaft, in which Mercedes-Benz will take a 25 per cent equity stake but retain management control. Elsewhere, a delegation from Mercedes-Benz recently discussed co-operation with Romania's Brashov works.

Along with affiliate Isuzu, General Motors is studying the possible assembly of light commercial vehicles in Czechoslovakia. GM has also announced a joint venture with Hungarian state producer RABA to build up to 200,000 engines and assemble up to 80,000 Opel Kadett/Vauxhall Astra models per year.

Czech heavy truck producer TATRA has a significant export operation as well as an existing network in eastern Europe. Partnership talks have been held with MAN, Iveco and, most favourably, with Volvo. Any deal is expected to include provision for sales and service of western trucks.

In January, Renault's truck unit RVI signed a draft agreement with Czech producer AVIA. This provided for assistance in developing vehicles in the 3.5-5 tonne range to replace models built under an earlier co-operative deal between the companies. Production is to begin in 1992 with provision for annual output of 20,000 vehicles. The three-year agreement includes substantial input in tooling and technology transfer by RVI.

The TAM works at Maribor in Yugoslavia is preparing for its proposed joint venture with Iveco. TAM is to be split into several enterprises, one of which will concentrate on joint production of trucks of over 8 tonnes with Iveco.

In the USSR a radical approach to development is being taken by the FAMAZ truck operation. To upgrade its product and facilities more than 6bn roubles (around $12bn) is required in new capital. With total equity of Rbs 5bn, FAMAZ is to place around Rbs 450m of stock with foreign investors in an initial sell-off of one-third of its capital. In a second stage, FAMAZ plans a capital increase of around Rbs 1bn next year. FAMAZ also wants to persuade its 140,000 workers – as well as Soviet customers – to invest in the business.

Ian Robertson

Enasa deal will be a challenge for the Italian group

Iveco's Spanish adventure

THE unexpected move by Iveco of Italy to buy Enasa, the Spanish maker of Pegaso trucks, appears to have ended the Spanish government's long search for a partner for the troubled state-owned truck maker.

Iveco, Fiat's commercial vehicles subsidiary, is to acquire majority control of Enasa – a step which accelerates the restructuring of western Europe's truck industry.

Fiat has taken a leading role in reshaping the industry in the last two decades, first with the merger of Fiat Veicoli Industriali and OM in Italy, Unic in France and Magirus in Germany to form Iveco, and then with the takeover of management control of Ford's UK-based European truck operations in the second half of the 1980s.

The takeover of Enasa poses another severe challenge for the Italian group, however, as it seeks both to honour its employment guarantees and to take measures to rationalise and restructure the Spanish operations in order to staunch the present heavy losses. The task will be made much harder by the current steep fall in truck demand in Spain.

The last-minute emergence of Iveco in mid-September as a buyer for Enasa took the European truck industry by surprise. INI (Instituto Nacional de Industria), the Spanish state holding company, had originally reached agreement late last year with a German consortium of MAN and Daimler-Benz for the sale of an 80 per cent stake in Enasa.

That deal was blocked by the German cartel authorities, however, on the grounds that an alliance between the two groups in Spain would damage competition in the German market.

Under the original proposals, MAN would have acquired a 60 per cent stake in Enasa with Daimler-Benz taking 20 per cent. Even after MAN had pulled out of the deal, INI continued negotiations with Daimler-Benz with the German group seemingly still committed to the Enasa deal.

Iveco will maintain Enasa's Pegaso truck brand name

The Spanish government also began parallel secret talks with Iveco (Fiat), however. Iveco had taken part in the original bidding battle for Enasa last year against competition from the two German truck makers, Volvo of Sweden and DAF of the Netherlands, but appeared out of the running after the original deal with MAN/Daimler-Benz.

The Spanish authorities finally balked at selling Enasa to Daimler-Benz, however, in the face of the German truck maker's insistence on sweeping rationalisation measures for the truck assembly and components operations.

INI has now been forced to accept a much lower valuation of Enasa, whose financial performance has deteriorated rapidly this year, but in return Iveco has agreed to guarantee employment levels in the company, inject new equity and undertake an ambitious capital investment programme in Spain.

Iveco is to take a 60 per cent stake in Enasa with an option to acquire outright control within six years.

The surprise deal also opens the way for the possible assembly in Spain of Iveco trucks or Fiat cars. According to Mr Giorgio Garuzzo, Iveco chief executive, the Enasa plant in Valladolid would be used to assemble "Iveco or other Fiat products in the future".

Under the Iveco deal, Enasa, which has around 30 per cent of the Spanish heavy truck market, has been valued at only Pta2bn ($20m) compared with a valuation a year ago of Pta36bn ($361m) in the original deal with MAN and Daimler-Benz.

Iveco is to pay Pta1.2bn ($12m) to acquire its initial 60 per cent holding, with INI retaining a 40 per cent stake.

In January the shareholders will inject Pta20bn ($201m) of new equity capital into Enasa, of which Iveco will contribute Pta12bn ($120.6m).

According to Mr Garuzzo, Enasa has plunged heavily into loss again this year with the steep recession in the Spanish heavy truck market and uncertainty over the company's future ownership. It has accumulated a deficit of Pta7bn ($70m) in the first six months, and is expected to have a negative book value by the end of this year of Pta7.5bn ($75m).

Mr Garuzzo says that Iveco is planning capital investment of Pta37bn ($371m) in Enasa in the medium to long-term in order to modernise its plants and gradually introduce Iveco products.

He says the company will retain Enasa's Pegaso truck brand name and Iveco and Pegaso will keep separate dealer networks in Spain. Enasa currently sells a range of Volkswagen/MAN light trucks in Spain, but these will be replaced by Iveco products as supply contracts expire.

As a result of the takeover Iveco will close the gap behind Daimler-Benz in the western European truck sales league (above five tonnes gross vehicle weight), and moves into second place ahead of the

Giorgio Garuzzo: plans for Enasa's Valladolid plant

Volvo/Renault combination.

It also takes control of Seddon Atkinson, the small specialist UK heavy truck maker, which is a wholly-owned subsidiary of Enasa. Iveco, which took over management control of Ford's truck operations in the UK in 1986, has said that it will maintain Seddon Atkinson's operations as a separate business.

In the western European heavy truck market (16 tonnes and above) Iveco's share will increase to 18.2 per cent from 13.2 per cent with the inclusion of Enasa (based on 1989 figures) behind Volvo/Renault, 26.3 per cent, and Daimler-Benz, 19.4 per cent.

In the overall market (five tonnes and above) it moves into second place with 22.5 per cent (of which Enasa is 3.3 per cent) ahead of Volvo/Renault (21.7 per cent) but behind Daimler-Benz (28.8 per cent). Last year Iveco produced 136,000 trucks, Enasa 12,000.

The takeover of Enasa will make Iveco the clear market leader in Spain. Based on 1989 figures the Iveco/Enasa combination would have had a 32.8 per cent share of the Spanish heavy truck market (16 tonnes and above), and 30.5 per cent of the total truck market (five tonnes and above).

In the UK the inclusion of Seddon Atkinson last year would have boosted Iveco's share of the heavy truck market share to 16.1 per cent from 10.4 per cent, putting third behind Leyland DAF, the UK subsidiary of DAF of the Netherlands, and Volvo of Sweden. In the overall UK truck market, the acquisition of Seddon Atkinson will help Iveco consolidate its existing market leadership and widen the gap ahead of second-placed Leyland DAF.

Enasa has assembly and components plants in Madrid, Valladolid, Barcelona and Mataro in Spain, at Oldham in the UK and at Cumana in Venezuela. It has an engineering centre in Barcelona and its headquarters in Madrid.

Kevin Done

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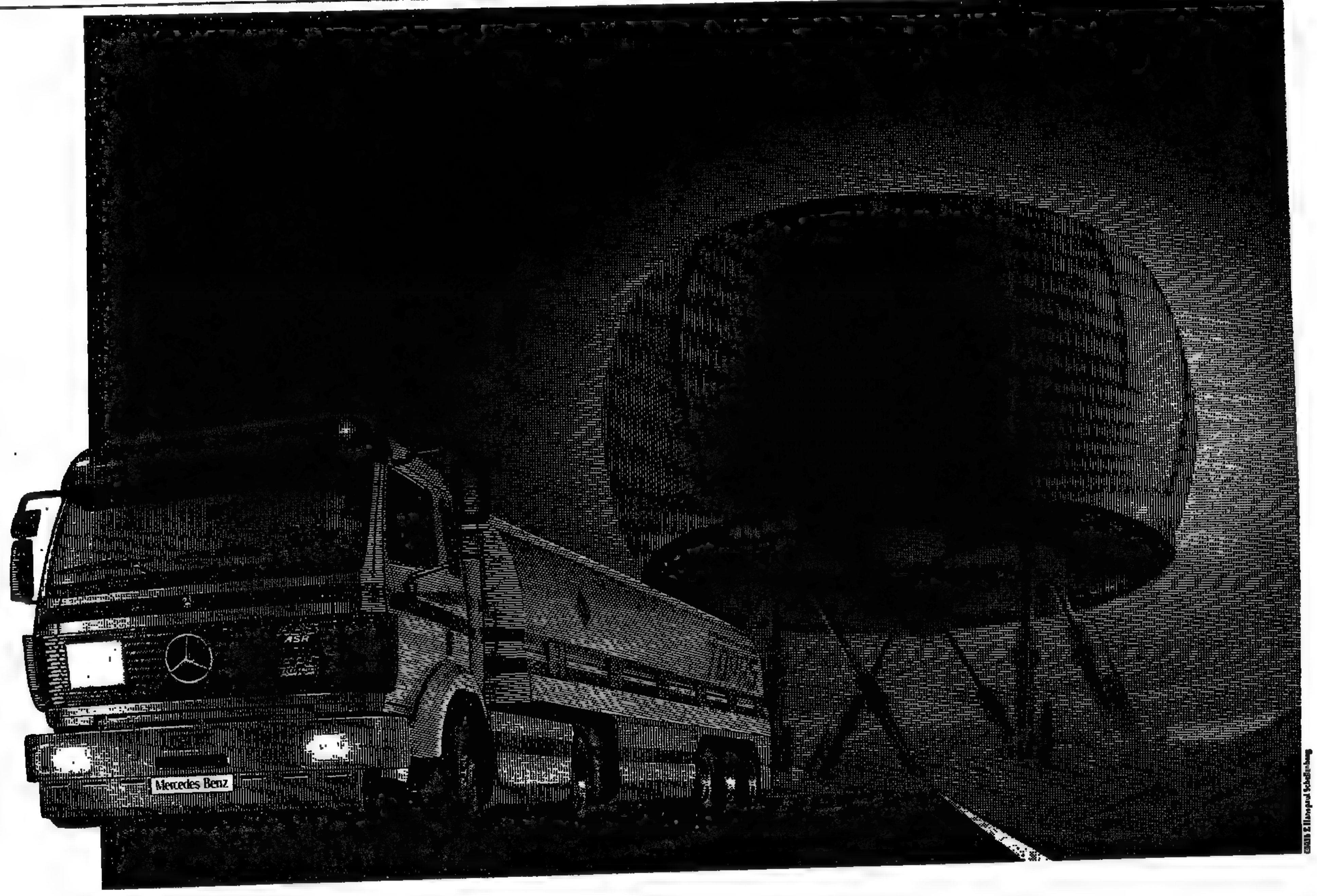

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A far-reaching alliance

Renault and Volvo create a juggernaut

BY joining forces in a far-reaching alliance, Volvo of Sweden and Renault of France are forming a combination that will become the world's biggest heavy truck maker.

The links are being forged between the parent companies and between the car and truck operations with a complex pattern of minority cross-shareholdings. The driving force that first brought the two groups together was Volvo's desire to create a more powerful presence in the world truck industry, however, and it is in this sector that the strongest immediate bonds are being formed.

Under the final terms of the deal, agreed in late September, Volvo and Renault will exchange 45 per cent cross holdings in each other's truck and bus operations.

The alliance is aimed at making it possible to distribute the costs of product development as well as capital expenditure over a larger production volume, with the aim of enhancing the two group's competitiveness in world truck and bus markets.

As part of the terms of the deal, Volvo's truck and bus operations were valued at SKr16bn ($2.9bn) and Renault Véhicules Industriels, the French group's truck and bus subsidiary, at SKr11.8bn ($2.1bn).

The two groups claim that the Volvo and Renault marques will remain separate and independent in the market-place with independent distribution and dealer networks. The alliance is aimed rather at technical and industrial co-operation with three main objectives:

- co-ordination of product development programmes involving in the first stage components development and advanced technical research;
- co-ordination and co-operation in production, initially of components; and
- co-operation in purchasing.

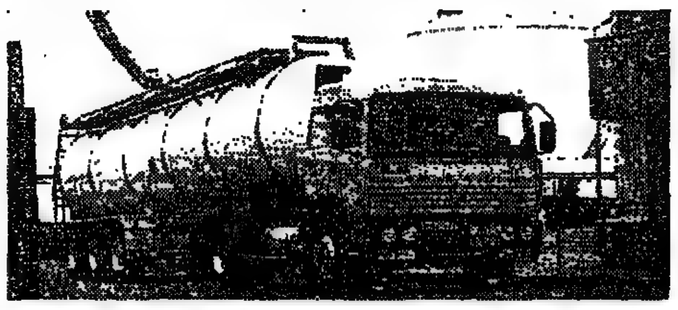
Volvo maintains that accelerating research and development costs are one of the greatest problems facing the truck industry.

As products become more complex and the need grows for broader and deeper technical know-how, the Swedish group says that it is "becoming increasingly difficult to meet these needs within a single company".

In a prospectus issued to Volvo shareholders, the group says that together the two truck companies will have a much larger purchasing volume, resulting in lower prices for goods purchased as well as access to a wider network of suppliers.

In production, Volvo and Renault hope to be able to use existing capacity more effectively, and that co-ordination of future capital expenditure progammes will make it possible to reduce new investments.

Total R&D costs will be able to be spread over a much larger production volume, reducing unit costs, while the sharing of development work between the two companies should increase their overall development capacity.



Volvo and Renault: joining forces to build a powerful presence

Volvo calculates that for its truck and bus operations alone the alliance with Renault should make reduce development, production and procurement costs by 6-8 per cent within five to ten years. Under present operating conditions it estimates that would mean an annual improvement of slightly more than SKr1bn ($180m) in earnings.

According to Mr Tommy Rengman, executive vice president of Volvo's truck operations, the two groups "are now going from talking to actions, from discussions and negotiations to specific projects".

Last year Volvo's truck and bus operations made an operating profit of SKr2.52bn ($450m) on a turnover of SKr28.5bn ($5.1bn), while RVI achieved an operating income of FFr1.23bn ($244m) – after a FFr1.1bn ($216m loss) in Mack Trucks – on a turnover of FFr34.29bn ($6.8bn). RVI has a workforce of 32,500 compared with Volvo's 24,150 in its truck and bus operations.

Together Volvo and Renault account for more than a quarter of the western European heavy truck market (above 15 tonnes gross vehicle weight) with a combined share of 26.3 per cent (1989 figures).

In the overall truck market (5 tonnes and above gross vehicle weight) the Renault/Volvo combination is in third place with 21.7 per cent, behind Daimler-Benz (with 23.8 per cent), and Iveco (including Enasa) with 22.5 per cent.

The future shape of co-operation between the two groups' truck operations in the US is still unclear and both have their own profitability problems to deal with, but taken together they accounted last year for close to a quarter of US heavy truck sales, more than any other single competitor.

RVI, which has recently agreed to pay $103m to buy the outstanding 55 per cent share of Mack, said that the restructuring of the US heavy truck maker, was the French group's "top priority".

Mr Jean-Pierre Capron, RVI chief executive, promised far-reaching measures to rescue Mack.

These will include job cuts, reductions in inventories, systematic cuts in overheads, the sale of certain non-essential assets, tighter control of purchasing, increased flexibility in industrial management, and improved quality.

Mr Capron said that Mack would have an impact on RVI's financial performance for several years, but the company had decided to press ahead with a full takeover as Mack was the only operation capable of giving RVI a global scale and assured long-term access to the US truck market.

Mack had a 13.1 per cent share of the US heavy truck market (above 15 tonnes) last year compared with the 11.8 per cent of Volvo GM Heavy Truck, Volvo's 76 per cent-owned US subsidiary, the 23.9 per cent of Navistar and the 23.7 per cent of Paccar, both of the US and the 16.1 per cent of Freightliner, the US subsidiary of Daimler-Benz.

Last year RVI produced a total of 82,900 vehicles with a gross vehicle weight of more than 3.5 tonnes, including 21,000 made by Mack, compared with Volvo's output of 65,760. These figures included 80,250 trucks (Volvo: 60,200) and 2,650 buses (Volvo: 5,560).

RVI has production facilities in France, Spain and the UK, while Mack has plants in the US and in Canada. Volvo trucks are assembled in Sweden, Belgium, the UK, Portugal, the US, Brazil, Peru and Australia.

In Europe, Volvo has a strong position in the heavy truck segment (above 15 tonnes), while RVI offers a complete range of light, medium and heavy trucks. In Europe last year RVI produced 10,000 light trucks up to 6 tonnes, a category where Volvo is not represented, while in the 6-16 tonnes category it produced 19,000 trucks against Volvo's 6,000.

Volvo, however, is one of Europe's biggest producers in the long-haul segment of the heavy truck market with an output of 19,000 trucks last year compared with RVI's 6,000, while in the category of heavy trucks for regional transport the two groups were equal, each with an output of 12,500.

It remains to be seen whether the two groups can gain the benefits they seek from their alliance simply through minority holdings, without taking the outright step to a full merger. There is no doubt, however, that the Volvo/Renault deal has set a new pace in the accelerating restructuring of the truck industry both in Europe and potentially in North America.

Kevin Done

Exhaust emission standards are tightening. John Griffiths reports

Manufacturers face the 'clean truck' challenge

THE WORLD'S truck manufacturers are facing stringent exhaust emission standards. These standards are likely to require substantial changes to truck diesel engine technology if they are to be met.

The particular targets of legislators both in North America and Europe are oxides of nitrogen, instrumental in the formation of acid rain, and particulates – tiny solids which carry toxic chemicals into the lungs and which the International Agency for Research on Cancer, part of the World Health Organisation, has classified as carcinogenic.

As has been the case since car exhaust emissions first became the cause of serious concern in the 1960s, it is the US which is leading the way in imposing tighter restrictions. Tougher standards are due to be introduced in the US next year, with a further tightening of the screw to take place in 1994.

The EC Commission is seeking to follow suit, although current European standards are much more lax than in North America.

The first EC standards to limit emissions of nitrogen oxides, carbon monoxide and hydrocarbons became effective as recently as October 1 this year (previous regulations involved only the amount of visible smoke emitted). But in most respects they are no more severe than those introduced in the US four years ago and – despite months of discussion – no firm agreement has been reached between EC member States on the Commission's proposals for further tightening them.

Tougher standards will be introduced in the US next year

The demands that even the US 1991 standards have been making of the industry's technical ingenuity and research and development resources are considerable.

According to Ricardo Group, the UK-based engineering consultancy which works on engine projects for most vehicle makers world-wide, in order to meet the 1991 standards new heavy duty diesels will need, at the least, to:

- be turbocharged and intercooled;
- use sophisticated high pressure diesel fuel injection systems;
- have higher compression ratios and cylinder heads designed to promote "swirl" of the fuel/air mixture for better combustion;
- use "low sulphur" diesel fuel.

Ricardo, AVL (based in Graz, Austria) and other engine specialists are in broad agreement that engines to meet these standards can be in production from next year using existing technology. Indeed, specialist engine producer Cummins, whose heavy duty diesels are fitted by a wide range of truck makers, has already unveiled one such unit capable of meeting the 1991 standards.

However, Ricardo describes the 1994 standards as representing "one of the greatest challenges facing the truck industry". Meeting them, it says, will involve much more complex engineering solutions. These will have to include extensive use of electronic controls, the adoption of multi-valve cylinder heads and other features such as variable-vane turbochargers. Even then, further clean-up measures will almost certainly be required such as exhaust catalysts and "traps" to capture escaping particulates.

It is indicative of the severity of the problems that even research engines have only recently begun to meet the emissions levels required under testing.

Navistar (formerly International Harvester), the biggest US heavy truck producer, has had one of the most prominent test programmes with its "94 Smokeless" large-capacity diesel. This unit, in prototype form, has been undergoing in-vehicle road testing for some time. When used with low-sulphur fuel, says Navistar, it has already proved capable of meeting the 1994 standards.

However, like other manufacturers, Navistar is also conducting extensive research into use of alternative fuel engines, including turbines, as another possible way of reducing the environmental impact of trucks.

All this development work is being undertaken against the background of intense competition in the truck industry, requiring also heavy outlays on new product development, improving quality and reliability standards, reducing fuel consumption and improving refinement and comfort levels.

It is therefore likely to impose an additional heavy financial burden on European truck makers who are facing dwindling profits as a result of the current sales downturns in some key markets such as the UK.

US EMISSION LIMITS FOR HEAVY DUTY VEHICLES

	1987	1988	1991	1994
Carbon monoxide	15.5	15.5	15.5	15.5
Hydrocarbons	1.3	1.3	1.3	1.3
Nitrogen oxides	10.7	6.0	5.0	5.0
Particulates	–	0.6	0.25	0.1

All figures g/brake horsepower hour

Increasingly vociferous environmental groups remain unimpressed, particularly at the inability of the European countries to agree a timetable for the introduction of stiffer standards. Friends of the Earth is among several environmental groups calling for Europe's decision-making process to be speeded up.

Even some politicians are expressing themselves frustrated by the slow progress. Mr Chris Patten, the UK Environment Secretary, has also urged his EC colleagues to bring forward firm decisions.

Despite environmentalist insistence that only legislation will force the industry to clean up its own act, major manufacturers insist that they are devoting extensive resources to the issue and that the long-term outlook for reducing exhaust emissions substantially are good.

Mr Helmut Werner, head of Mercedes-Benz's commercial vehicle division, which is spending around DM 250m a year on commercial vehicle emissions problems, said earlier this year he is confident that continuing improvements will produce a total 30 per cent cut in commercial vehicle exhaust emissions by the end of the century compared with current levels.

This would be in the absence of any wholesale switch of freight transport from road to rail.

Exhaust emissions, however, are not the only environmental issue facing the commercial vehicle industry.

Noise generated by heavy trucks is also a source of increasing concern, and requiring remedial action by manufacturers. Engine encapsulation and modifications to fuel injection equipment are among some of the remedial measures being taken.

However, consultancies working in the field suggest that a more integrated approach is required in order to achieve major reductions in the noise perceived both by drivers and bystanders.

This entails full electronic control of the engine/gearbox to avoid high engine revs, designing the truck and trailer as a whole to optimise streamlining and thus achieve smooth passage through the air; low-noise cooling fans and even "active" sound suppression.

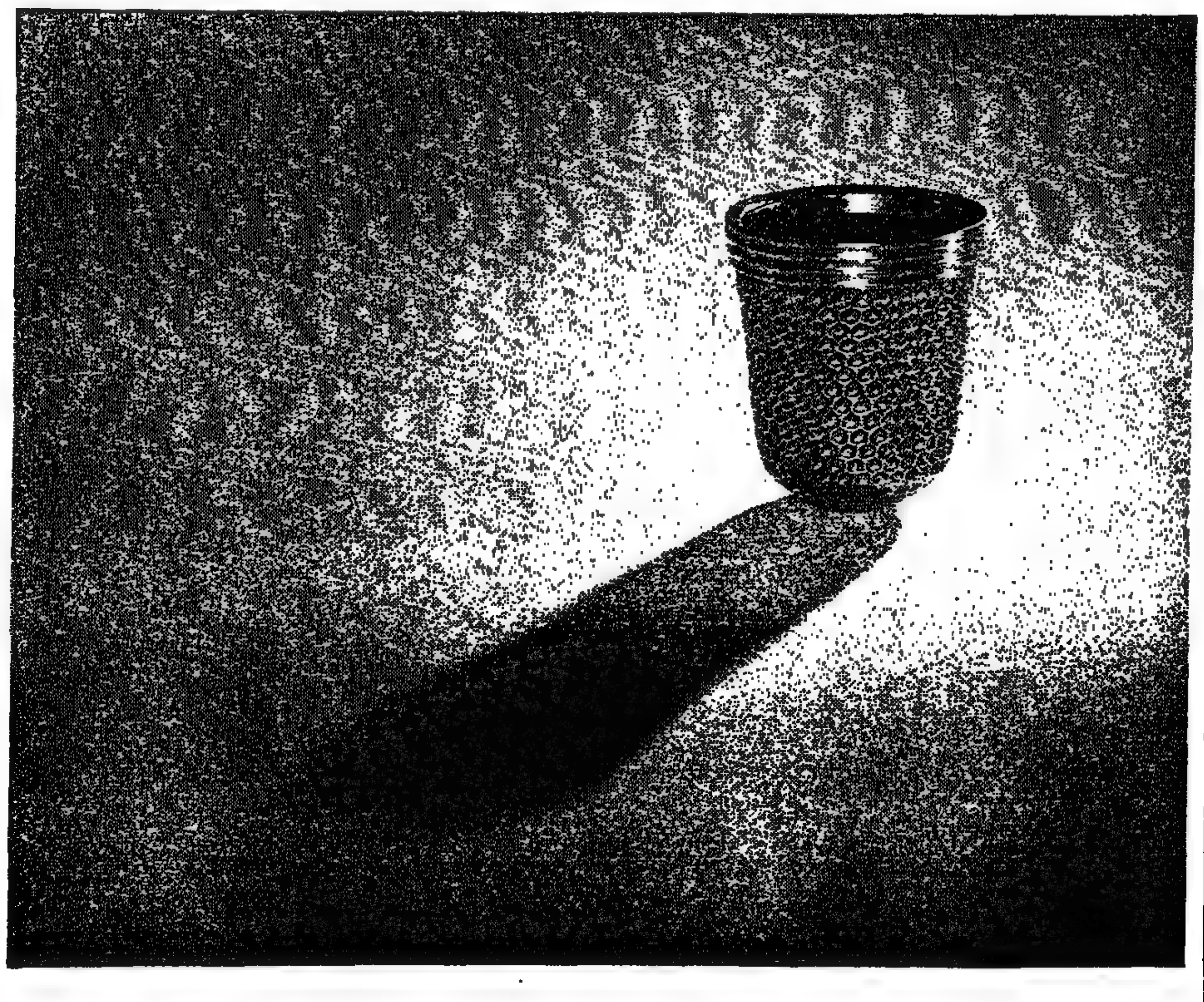
The last-named, already pioneered by Group Lotus on cars, involves the monitoring of the frequencies of noises being generated by the exhaust or other systems – and the generation through microphones of noise of different frequencies to neutralise them.

The industry is already well down the road to improving the aerodynamics of vehicles, sometimes with help from Government sources. For example, the UK-based Besco Bodies group is already marketing an adapted Leyland DAF Freighter rigid truck with full aerodynamic aids. Its coefficient of drag is cut from 0.716 to 0.325 – good even by car standards.

Noise generated by trucks is also a source of concern

Aerodynamic drag increases with the square of the speed, and at 100 km an hour a truck needs four times as much power to overcome drag as it does at 50kmph. Unsurprisingly, therefore, tests of the vehicle in normal operating conditions found that fuel consumption was also improved, by around 25 per cent – a quantum improvement which, if such aerodynamics become the norm on trucks, represents a substantial environmental benefit in terms of reduced volumes of exhaust emissions.

At last, performance engines without a drink problem.



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Electronics can improve efficiency, writes Alan Bunting

European builders embrace new vehicle technologies

THE TRADITIONAL conservatism of truck buyers has held back the adoption of new vehicle technology. Transport managers and fleet engineers usually assume that fundamental engineering innovations invariably inevitably raise to initial cost prices costs and reduce reliability.

In the US, vehicle specifications are dictated in minute detail by trucking companies and productivity conscious owner-drivers. US manufacturers maintain or expand their market shares by giving customers the products they know and want, and pander to their individual tastes on such matters as cab comfort and rudimentary styling.

But US truck chassis, including those built by companies under European control, such as Volvo-GM, Freightliner (Mercedes- Benz owned) and Mack (now a Renault subsidiary), remain crude.

Frame, cab and suspension design in the US is reminiscent of European practice in the 1950s.

In Europe, British buyers are the most sceptical about new technology. However, influenced by innovative continental manufacturers, many UK hauliers are more reluctant to condemn technical progress out of hand.

Electronic wheel sensors have proved remarkably trouble-free

A decade ago, it was often claimed that electronics on a truck were unnecessary, especially in the damp British climate, which was unkind to wiring and electrical connections. A diesel engine, it was argued, is more dependable without electrical ignition.

Power assistance, already taken for granted in truck steering, clutch and of course brake systems, is now being applied to gearchange mechanisms.

Compressed air is readily available from the brake reservoir to provide gearshift "muscle", but only with the refinement of electronic control has it been possible to achieve fast finger-tip gearchanging without causing excessive gearbox wear or damage.

Many of the new legal requirements can only be met through the application of microprocessors, electronic sensors and control valves

In 1987, Mercedes-Benz, the world's biggest truck producer, took the lead by introducing an electronically-controlled gearchange, EPS, on its heaviest trucks as a standard feature. It was a gamble which perhaps only Mercedes could have taken.

The company's vertically-integrated structure allowed Mercedes to defray the on-cost of EPS across the whole vehicle and so avoid an unacceptable increase in price, while high production volumes helped keep unit costs down.

Scania of Sweden pre-empted Mercedes' launch with its similar CAG system, though this remains a listed and expensive additional option. Demand has been modest, giving Scania little opportunity to reduce unit cost.

Fortunately, European truck builders have embraced electronics and computer technology.

In the 1980s, they were forced in this direction by a proliferation of safety and environmental legislation, which made ever increasing demands on performance. Many of the new legal requirements can only be met through the application of microprocessors, electronic sensors and control valves.

Following a European Community directive on anti-skid braking, vehicles require electronic signalling to sense wheel-lock and produce rapid braking force response without increasing stopping distances.

Electronic wheel sensors have proved remarkably trouble-free, despite their exposure to violent movement, mud and salt spray.

Users now realise that truck electronics can also raise operating efficiency and help the driver. More powerful engines – some now developing 500 horsepower – have led to correspondingly uprated gearboxes, implying increased shift lever effort.

Computer-controlled finger-tip gearshifting is also available from Eaton and SF, proprietary transmission suppliers.

Eaton's SAMT system, developed in the UK, is available on British ERF chassis and from MAN and Fiat-Iveco. It is more advanced than EPS or CAG, because it eliminates clutch pedal operation except when starting and stopping.

Assisted gearchange systems encourage drivers to shift up or down as soon as road or traffic conditions demand. They prefer, therefore, to keep engine speed in the economy band – usually shown green on the dashboard rev-counter – with consequent fuel savings.

Power assistance is being applied to gearchange mechanisms

Electronics are now starting to have a bigger effect on fuel economy. In Europe and North America, truck and car engines face increasingly stringent exhaust emission regulations. Intensive research is being conducted on the diesel fuel-injection process as engineers seek to control fuel quantity metering and timing in response to legally permitted pollution limits.

Fuel injection rates can only be regulated with sufficient accuracy by a sensor fitted on to the engine (or, in the case of US diesel makers, directly to the cylinder block).

Metering equipment in production includes systems from Lucas Diesel Systems of the UK, Cummins and Detroit Diesel in the US and Bosch of Germany.

Such systems also optimise fuel economy and performance.

Chassis builders such as MAN are running prototype trucks with electronically managed engines and transmission systems.

The driver only has to press the accelerator pedal. The gears change automatically when conditions demand, under instruction from a central *'black box'* in which the electronics of the engine and the gearbox continuously interact.

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This latest Special Report from the EIU offers a comprehensive analysis of the commercial vehicle industry and market in Western Europe — from light to heavy trucks. It includes reports from the Eastern Block • in-depth market reviews • an update on Single Market legislation • cabotage • a review of distribution trends • new technology • market forecasts • detailed operating profiles of over 20 leading manufacturers.

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Lower sales are forecast, writes Richard Feast

Recession hits US demand

THE US truck industry has little to be cheerful about in the short term. But nobody fears a repetition of the catastrophe of almost a decade ago, when the industry was hit by recession and deregulation.

Medium and heavy truck sales were then about 180,000 a year, compared with the decade's peak of more than 300,000 in 1988. This year, truck people say they "only" face a recession.

In the early 1980s, medium and heavy truck sales fell by approximately 30 per cent, says Mr Bernard Cambell, an analyst at Data Resources Inc, Lexington, Maryland. "Right now, we're forecasting a decline for 1991 of five to 10 per cent from present levels".

A financial executive at Navistar, the country's leading heavy truck manufacturer, explains: "People buy heavy trucks to move goods. If truckers don't think there will be goods to move, they'll postpone buying new trucks." That was happening before the prospect of conflict in the Middle East further dampened demand.

Mr Terry Huber, Ford's heavy truck sales manager, confirms the dilemma facing hauliers. "They're waiting to see what happens, even if they do need to replace their trucks. They can't make any decisions until they determine what tonnage requirements they're going to have."

DRI's Mr Cambell says: "If we're not in the midst of a recession, we're soon going to be. In the trucking industry, there is just too much supply given the present level of demand."

Overcapacity is causing discounting by retailers

This overcapacity, particularly in the heavyweight Class 8, is causing widespread discounting by retailers. Few makers appear to be operating at satisfactory margins, though with so much of America's medium and heavy truck industry under European control it is hard to determine profitability. Detailed results tend to get lost in the parent group's consolidated accounts.

For example, Mr Jean-Pierre Capron, chief executive of Renault Véhicules Industriels, has attributed RVI's substantial first-half losses to the US operations of its recently acquired subsidiary, Mack. But he was not specific. Navistar reported a small loss for the first three quarters, while at Paccar, builder of Kenworth and Peterbilt vehicles, profits are slim. Some indication of the market's lack of appeal came with September's surprise decision by Fiat's Iveco to pull out of the US after the end of 1991.

Iveco, a long-standing medium duty competitor, is now the only major European truck maker without a substantial stake in the US. Its European rivals moved strongly into US manufacturing during the 1980s: Mercedes-Benz with Freightliner, RVI with Mack, and Volvo with White and GMC.

Sales of Class 8 trucks were down 16.7 per cent in the nine months to the end of September to 92,908 compared with the same period a year earlier. This trend is worsening. Sales in September were down almost a fifth at 9,100. The uncertainty has caused makers to scale back earlier estimates of year-end Class 8 sales. They now vary widely, with Mack in the middle of the bunch with 110,000. While Class 8 remains the trucking bellwether for the health of the economy, sales of medium duty trucks in Classes 4 to 7 are traditionally much less volatile.

However, they too were substantially down in the first three quarters – by 11 per cent to 214,100, according to the Motor Vehicle Manufacturers' Association. Earlier expectations of a strong final quarter of this year have now been forgotten. The slow down will continue well into the first half of next year, but with a stronger second half making up for some of that lost business, says Mr Cambell.

Production line at Ford's Kentucky Truck Plant

The current lack of dealer orders has caused sporadic weekly shutdowns across the industry. They will become more frequent as the economy deteriorates.

The effect of a conflict in the Middle East is likely to depress demand still further, though any resulting fuel price increases might also stimulate demand for more efficient trucks.

In addition, truck buyers are faced with additional costs from next year, put at approximately $500 a truck by one vehicle builder.

Truck makers responded to the tougher exhaust emission regulations which apply from January 1 1991 by adopting electronic engine management controls. These costly changes allow trucks to meet the standards without suffering any performance penalty, particularly important to long-haul operators. Emission regulations will be further tightened in 1994. Manufacturers believe the only way to meet those standards is to opt for exhaust dust traps, but the truck operators, will have to meet the additional purchase costs and higher maintenance bills.

Equally, truck makers are none too thrilled at the operators' attempts to raise support in Washington for use of trucks which pull twin 48 ft trailers. If the proposal became law, an operator could halve a tractor cab fleet overnight because one truck would be able to do the work of two. All this increases the pressure for cost cutting throughout the industry. Mack's former chairman Mr Ralph Reins said his company was trying to slash $3,000 off the cost of producing a truck. (The newly-appointed chairman is Mr Elios Pascual).

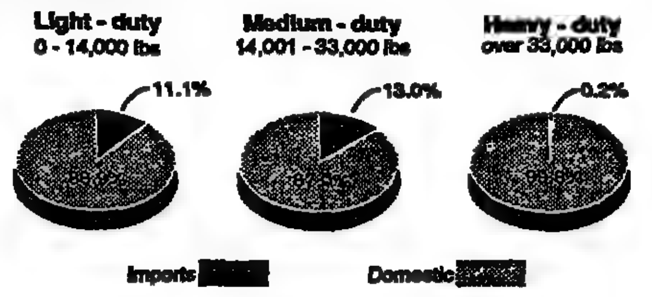
Analysts say the slow down will continue well into next year

At Navistar, president Mr Neil Springer talks of a three-year plan to take $1,500 out of the cost of a truck.

Memories of the early 1980s are too painful for anything less radical.

US retail truck sales

By weight groups



Source: Motor Vehicle Manufacturers Association of the US & Ward's Automotive Yearbook

JAPAN

A period of cut-throat competition

JAPAN'S FOUR makers of big trucks, the 3.5 tonners and above, face a period of cut-throat competition due to higher interest rates, uncertain oil prices, a stagnant US market and a labour shortage.

Since 1987, a thriving Japanese economy sent sales of big trucks soaring. This was welcome news for Mitsubishi Motors (MMC) and Isuzu Motors, which also manufacture cars and buses, but even more so for Hino and Nissan Diesel, which make only large trucks (including buses).

The booming domestic market dramatically affected the sales of Japan's number one truckmaker, Hino, which outstripped all its rivals in the diesel heavy-duty category for the 16th consecutive year. Hino, 10.8 per cent owned by Toyota, sold 57,360 medium and heavy-duty trucks in 1989 for almost 30 per cent of the market. That translated into a 3.8 per cent increase and net sales of $1,262m, up 4.5 per cent over the previous fiscal year.

Nissan Diesel (ND), the smallest of the big four in terms of production, appears to be gradually closing on its bigger rivals. Between April and September this year, the company sold 9,100 units, 13 per cent up from its 22.3 per cent share of the market a year earlier. ND spokesman Mr Yozo Motohashi says the company plans to promote sales of four-tonne payload trucks, which account for more than half the total truck sales of more than 3.5 tonnes. ND also plans to expand sales of its new heavy duty series (15 to 20 tonnes) to overseas markets.

In spite of the bad portents, the short term outlook is still rosy. Japan's Ministry of International Trade and Industry (MITI) predicts this year's sales will top last year's record 186,700 medium and large-size trucks registered in the domestic market. Most analysts predicted that the 1990 annual sales figure would fall around 15,000 vehicles short of 1989, which was itself a remarkable 70 per cent increase over 1986, when only 110,000 big trucks were sold. The last time sales approached this level was in 1979, when new registrations totalled 185,782 units.

However, the rate of increase in sales has about halved this year from the 10.4 per cent year-on-year growth achieved last year, and the peak has ended, according to the head of MITI's Automobile Division Section, Mr Toshio Kawashima.

Although public investment could continue to prop sales, rising interest rates and oil prices could dampen the market, he says.

Demand for big trucks comes mainly from two sectors – land transport companies and the construction industry. Of these, transport companies buy the most new trucks in a predictable replacement cycle that spans eight or nine years. Companies replace old trucks and buy new ones during economic boom times, and hang on to old ones when times get rough.

MITI predicts that sales will top last year's record 186,700 medium and large-size trucks registered in the domestic market

Japan's tight labour market will also apply greater pressure to transport companies. Mr Steven Marvin, chief automobile market analyst at Jardine Fleming securities, says the highly regulated freight industry is characterised by low wages and long working hours below industry standards. Though now under deregulation, transporters cannot raise customer freight rates, which means wages have stagnated and drivers are fleeing to more attractive jobs. No drivers, no new trucks, says Mr Marvin.

He claims flat or declining sales for big trucks in 1991 are almost inevitable as the replacement cycle fades. Almost 80 per cent of demand for big trucks is a function of the replacement cycle, he says. The size of the decrease will depend on interest rates and oil prices.

Sales have already been hit by economic stagnation abroad, which has exacerbated the long-term decline in exports due to the strong yen. Japan's export sales of big trucks from January to August this year totalled fewer than 625,000, (about 20 per cent of them knock-down units), a fall of 66,000 from the previous year's level.

MMC's share of the truck and bus export market fell about 20 per cent to just over 177,700 in 1989 after six straight years in the 220,000 to 270,000-unit range. Meanwhile, the industry export total fell about 11 per cent. The only bright spot appears to be Australia, where nearly 17,000 trucks and buses were sold in 1989, compared to 1,000 or so in 1986.

As recession looms in the US, the biggest foreign market for Japanese truckmakers, sales there have plunged. Japan exported around 137,000 trucks and buses to the US in both 1986 and 1987. By last year, sales of big trucks had dwindled to 56,686.

The big four truckmakers are trying to to hedge against uncertainty by joining forces with foreign producers. These long-term moves could pay off in the form of technology transfer, mutual market access and diverse forms of co-operation, but appear to have negligible short-term benefits.

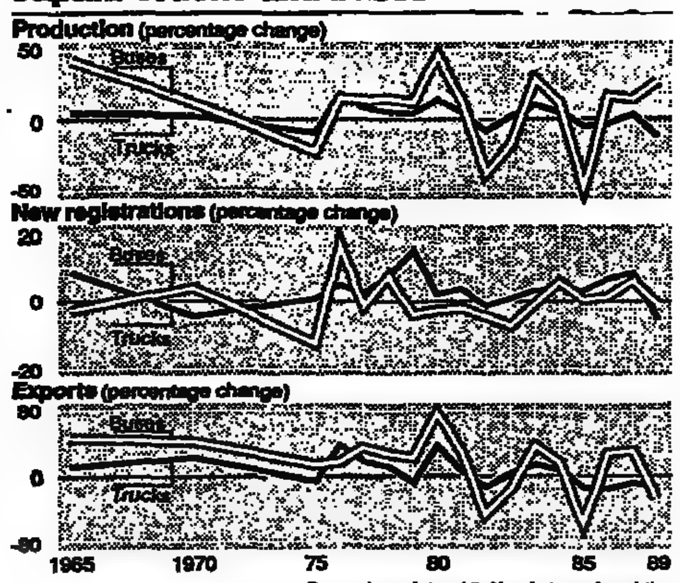
Since Mercedes-Benz trucks first appeared in Japanese showrooms last autumn (thanks to 21 distributors of Stuttgart Truck and Bus Sales, a joint MMC-Daimler Benz joint venture), a token 130 small trucks (of under 3.5 tonnes) have been ordered, with only 80 of those actually registered by the end of August. MMC says it does not know the level of sales for Mercedes-Benz's pricey 450-plus horsepower, heavy-duty long-haul tractors, but admits that it is "very small". Regular MMC trucks are sold through 47 Fuso dealerships nationwide.

Isuzu sealed a similar arrangement last year with Volvo Truck Corporation to market the Swedish company's long-haul tractors in Japan. Although less than one quarter of Isuzu's sales derive from medium and heavy-duty trucks (as against more than 36 per cent from light trucks), Isuzu recorded impressive figures for big trucks in financial year 1989. Total sales increased 10.8 per cent over 1988, with unit sales growing 10.2 per cent to 74,000 medium and heavy-duty units. Exports made up 23.7 per cent of total big truck sales, up 21.7 per cent over last year.

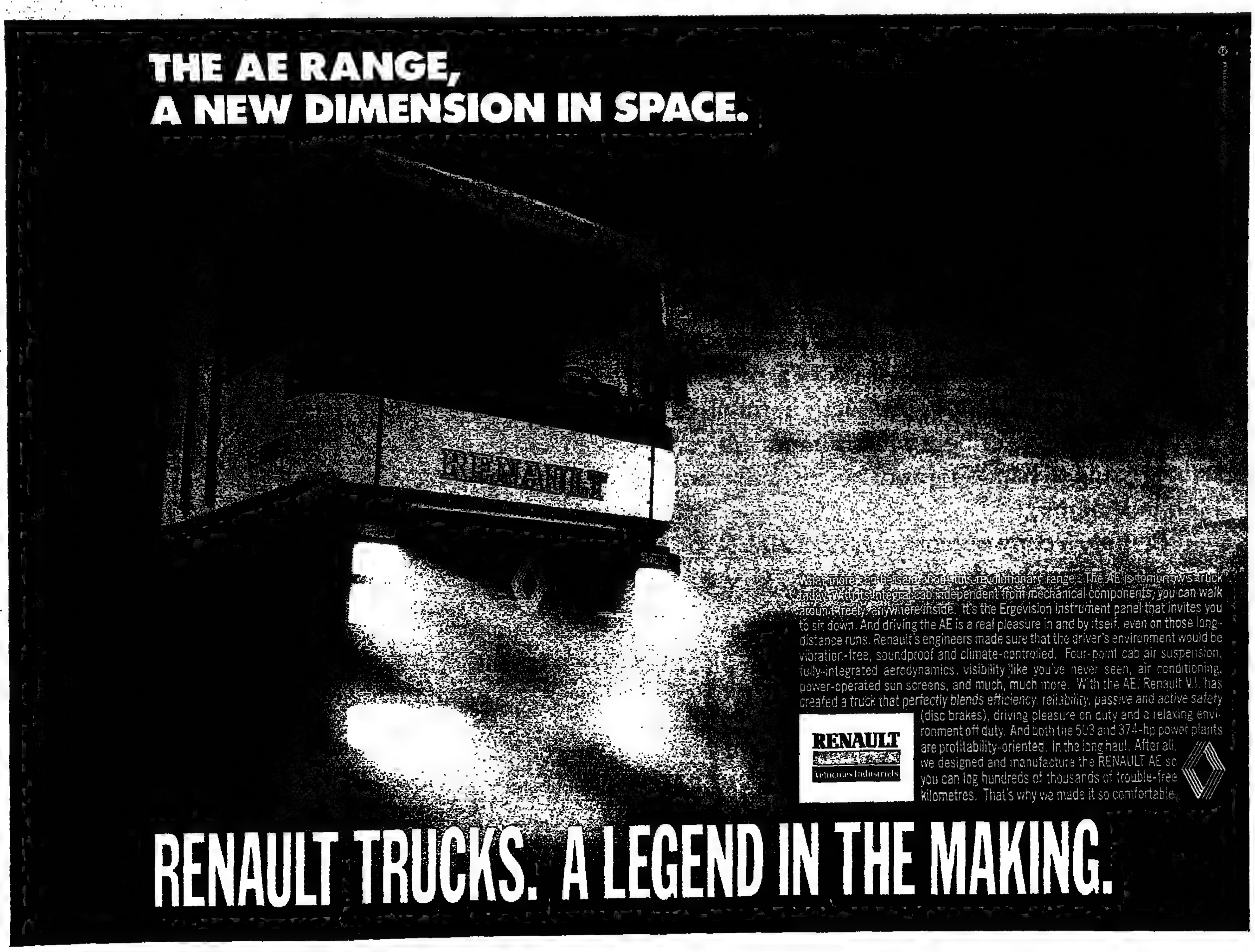
In exports, Isuzu ranks second only to Hino, with sales of 25,139 in the financial year 1989, bolstered by its F-series medium-duty trucks.

Chris Perry

Japan: Trucks and buses

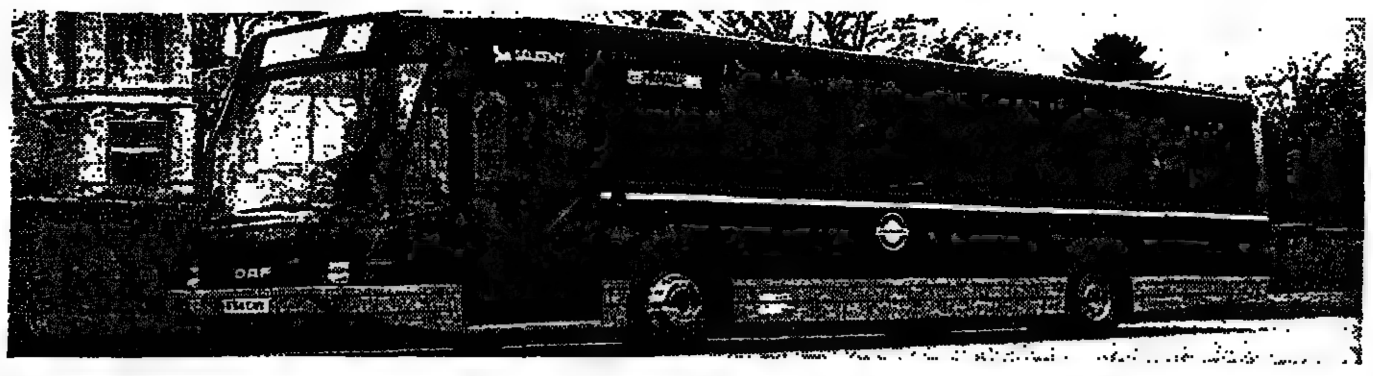


Source: Japan Automobile Manufacturers Association



Bus makers are preparing for 1992, writes **Eric Gibbins**

Competition intensifies



Going Dutch: after reviewing prospects for the 1990s, Daf and Bova joined forces to create United Bus

COMPETITION among European bus manufacturers is intensifying as they prepare for the single market in 1992.

They have been consolidating their positions within their home markets and some are expanding internationally through takeovers, mergers and joint ventures.

This process, which follows a similar trend in truck making, has affected every major European bus maker except Scania, whose Scania-Bussar subsidiary in Sweden produces 2,000 to 2,500 buses a year.

Some bus deals have coincided with truck takeovers. The latest is the acquisition by Italy's Iveco, the commercial vehicle arm of Fiat, of 60 per cent of Spain's leading commercial vehicle manufacturer Enasa, maker of Pegaso trucks and buses. While primarily concerned with the Spanish company's truck activities, it will add some 1,000 bus and coach chassis to Iveco's production portfolio.

Iveco is Italy's dominant bus manufacturer. After acquiring its biggest single rival, Sicca SpA of Vittorio Veneto, last year, it claims 80 per cent of the market in terms of chassis. It is less dominant in bus and coach body construction, but it also owns Orlandi, which makes a variety of coach bodies at its Bologna plant.

With the takeover of Sicca, Iveco secured a strong home base for its bus making activities in the face of European competition.

Other companies have taken even stronger action. In the Netherlands, Daf NV of Eindhoven and Bova NV of Valkenswaard, citing "a growing market for service buses, keener international competition in post-1992 Europe and greater concentration within the industry", formed United Bus (UB) last year after a joint review of market requirements in the 1990s.

Mr Aart van der Padt, chief executive of Daf, said: "We see the bus market moving to a situation where operators will buy from the coach builder. This is why we have established United Bus."

At the time of UB's formation, Daf's bus production was in the hundreds rather than thousands and other companies were expected to join the group.

Earlier this year, Optare, the British bus builder established in Leeds at the former Leyland Group factory of Charles Roe, joined UB. Optare, which had

Few bodybuilders have sought export markets

previously absorbed the bus making activities of Midlands-based MCW, the long-established maker of double deckers and minibuses in the Midlands, became the UK linchpin of UB's operations. It absorbed the operations of Daf Bus UK and moved them from the Thame HQ of Daf NV to Leeds.

No sooner was this move agreed than another Dutch company, Den Oudsten, joined UB, although the deal did not include Den Oudsten's North American activities (it owns New Flyer Canada).

UB has since linked with Danish company DAB Silkeborg A/S, once part of the Leyland Group. In 1989, DAB supplied 60 per cent of the bodies for Danish service buses, of which more than 80 per cent were fitted with Daf engines. UB now has a 40 per cent interest in the Danish company.

The Link with DAB brought UB annual turnover to £184m and production to approximately 1,850 bus chassis and 1,150 complete buses and coachess, representing 6.5 per cent of the European market.

UB now hopes to compete with the 'big league' bus makers, led by Volvo, which narrowly claims European market leadership over Mercedes, through its ownership of Leyland Bus in the UK.

Since July, Volvo has also owned the bus operations of Steyr in Austria. The Swedish company has a majority holding in a new company called Steyr Bus, formed with Steyr-Daimler-Puch, to which all Steyr bus activities have been transferred.

Echoing Mr van der Padt's forecast that sales would become led by bodybuilders, Mr Larserik Nilsson, president of Volvo Bus in Gothenburg, pointed out that since his company was primarily a manufacturer of bus chassis, it needed close co-operation with bodybuilders in its various markets.

"Steyr is today market leader in the area of city and intercity buses in Austria and, in co-operation with our new partner, we see good opportunities to develop that existing business even further. In addition, our new base in Vienna will be of strategic importance for our future development plans for Germany and eastern Europe", said Mr Nilsson.

Volvo is one of several companies with eyes on eastern Europe, especially Hungary, whose Ikarus company is claimed to be the world's biggest bus maker. With an annual production of more than 11,000 buses last year (down from 14,000 only two or three years ago), however, Ikarus is in severe difficulties. Help from the west – the company has indicated that it would like western investment – seems the only solution.

German companies are the likeliest partners for Ikarus, however. MAN, which builds around 1,500 heavy buses a year, has long associations with the Hungarian heavy vehicle industry and could be a contender. So could Mercedes, which with an annual output of more than 5,000 buses is Volvo's main rival in terms of European market leadership.

Kaessbohrer and Neoplan, which produce more than 2,000 and 1,000 vehicles respectively,

Mercedes is Volvo's main rival in Europe

are less likely to merge with Ikarus. Their strength is primarily in luxury coaches.

To compete effectively in a bigger market, manufacturers have also been trying to offer a broader range of vehicles. Renault Véhicules Industriels in France recently completed its line-up of passenger vehicles to meet the 1990s. Like Iveco, Renault dominates its home market. The chief competition comes from Belgium, where Van Hool has become a major European force in recent years. Claiming to produce 1,400 buses a year, Van Hool has acquired fellow Belgian bus builder LAG Bus and with it a brand new coach building factory at Bree. The company has indicated that this will give it a production capacity of 1,400 vehicles per year.

Van Hool is primarily a bodybuilder, using other companies' chassis or front and rear modules for its integral bus and coach designs – in short, the sort of partner being sought by the chassis makers.

Few bodybuilders have sought markets outside their own countries and bodybuilding largely remains a local business. However, Britain's Plaxton Group established itself in France last year by acquiring Carosserie Lorraine from Iveco. Although 100 per cent owned by Plaxton, the French company continues its association with Iveco by building on Iveco chassis.

Plaxton's policy, like Van Hool's, is to seek chassis partners for mutual benefit – a formula which may provide the pattern for the future.

COMPONENTS

An important part to play

GLOBALISATION of production among vehicle makers is being increasingly replicated by a relative handful of large, independent suppliers of key components such as engines, transmissions and axles.

Companies like Eaton Corporation and Rockwell, best known for their gearboxes and axles, and diesel engine-makers Cummins and Perkins, have established a secure customer base among truck makers, who tend to be much more willing to use bought-in components – including engines – than their car-producing counterparts.

There are compelling reasons for medium-sized and smaller truck makers to use the independents.

World commercial vehicle sales are only about one-tenth those of cars, and trucks represent a smaller proportion still.

Economies of scale on such complex components, which can cost hundreds of millions of dollars to develop and put into production, are therefore hard to find, even for the biggest truck producers.

It can make good sense for, say, Rockwell to focus its specialist expertise on developing a range of axles which can be used by virtually any truck maker.

Rockwell itself achieves economies of scale by spreading sales across a broad customer base and its customers receive axles which are likely to be cheaper and better than an individual truck maker could develop and produce itself.

"It stands to reason that no individual truck manufacturer can possibly claim at any one time that his trucks have the best engine, gearbox and axle just because they've all been done in-house", says Mr Peter Foden, chairman of ERF, the UK's last independent publicly-owned heavy truck maker.

ERF itself provides an example of how a small truck maker can survive – indeed, flourish – by making extensive use of the large independent component groups.

In the early 1980s, ERF standardised its entire product range around Cummins engines, Eaton's Fuller gearboxes and Rockwell axles.

Many of the smaller suppliers have fallen by the wayside

This allowed it to simplify truck designs and production, as well as obtain better terms from suppliers because of the higher order volumes.

Inevitably such developments have been causing a polarisation in the components sector, with the large, technologically well-endowed groups becoming more powerful and many of the smaller, traditional suppliers falling by the wayside.

By any measure, the larger players give every indication of long-term growth, despite a current profits squeeze being experienced in some important world markets, such as the United States.

That squeeze is exemplified by Eaton Corporation's 13 per cent drop in operating profits from its automotive components activities in 1989, and continuing pressure on margins in the current year.

In spite of that, it still managed an operating profit on these activities last year of \$255m on sales of \$2.1bn.

Additionally, Eaton is far from totally dependent on the volatile automotive sector.

The company's total sales of \$3.67bn last year reflect an extensive presence in more generalised control systems for the transport, defence and aerospace sectors.

As stressed by chairman Mr James Stover, Eaton knows that its ability to remain competitive will depend heavily not just on driving its costs base down, but on maintaining a high level of investment in research and development.

For Eaton, that has meant research and development and capital spending of \$1.3bn in the five years up to the start of this year, with similar levels planned for the future.

Cummins, Rockwell, Perkins, the big UK-headquartered BTR Group, TRW of the US and the other majors in the sector all operate under similar rules.

Rockwell, for example, while larger and more diverse than Eaton – nearly \$4bn of its \$12bn sales last year came from aerospace – had worldwide automotive component sales of more than \$2.4bn, of which around two-thirds comes from heavy truck customers. Like Eaton, Rockwell's vehicle component activities also came under profits pressure, with operating earnings falling marginally to \$180m despite record turnover.

Rockwell exemplifies also the global approach in the vehicle components business.

The company has manufacturing plants in 15 countries making brake systems and other components, as well as axles, for off and on-highway trucks, buses and trailers as well as cars.

The larger players give every indication of long-term growth

R&D spending is commensurately heavy, and Rockwell's vehicle components activities appear poised to benefit from synergy with its electronics businesses, its largest single sector with sales of nearly \$5bn last year.

Truck makers are making increased use of electronics to manage fuel injection and other systems, as well as a means of coping with tougher legislative standards for exhaust emissions and competitive pressures to improve fuel economy.

Here, too, international convergence is taking place, creating opportunities for those suppliers with substantial development resources and a willingness to commit themselves to following the vehicle makers into globalisation.

Until recently, western Europe was much more lax than the US in its approach to pollution by trucks, demanding little more than a visual smoke check.

However, the first limits on a range of emissions were introduced last month, and by 1994 the European Community hopes to have in place a framework of standards which will virtually replicate tough new limits being introduced to the US that year – and which will require similar solutions from component makers.

With western markets fairly well developed, the major components groups have been looking increasingly to strengthen their presence in developing countries, particularly Brazil and elsewhere in Latin America.

However, the opportunities offered by the opening of eastern Europe remains uncertain, at least in the near term.

As Mr Noel Goutard, chairman of the French components maker Valeo recently pointed out to the Economist Intelligence Unit, "we have to consider the interests of our shareholders. Eastern Europe is not yet a true free market economy and that makes any involvement a risk.

"If one of our existing partners asks us to go into eastern Europe to set up a supply to one of their own ventures, and if they offer a contract which guarantees a return on our investment, then of course we would do it. But we are not the Salvation Army . . . "

John Griffiths

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DISTRIBUTION SERVICES

The increasingly pan-European needs of customers means that distribution companies are having to reassess their strategies. The approach of 1992 means a clear view of the organisational and operating changes will be needed, writes **Paul Abrahams**

The world's the limit

THE EMERGENCE of logistics as a means of achieving competitive advantage is leading to a fundamental restructuring of the turbulent distribution services industry.

The restructuring is customer driven. Increasing numbers of manufacturers and retailers are divesting themselves of their in-house distribution divisions. They are using outside logistics specialists to provide them with transport and warehousing services instead.

The main reason for this trend is that many companies view distribution as a capital, fuel and labour intensive activity that lies outside their core activities. For many concerns, logistics represent between 16 and 35 per cent of total revenues and are often the second most important source of costs.

By ridding themselves of their transport divisions and using outside expertise, these businesses hope to reduce their operating costs as well as improving their margins and balance sheet. This is achieved by reducing the workforce directly employed in distribution, and minimising capital investment in trucks and other transport-related items.

The trend for retailers and manufacturers to use outside logistics companies has been accelerated by the growing cost and complexity of modern logistics.

"Effective distribution systems are becoming increasingly complicated and are beyond the management expertise of most manufacturing and service companies," says Mr John Harvey chairman of Tibbett & Britten, the transport group.

"Running a warehouse with an electronic data interchange system and 500 people working six or seven days a week around the clock for 364 days a year is not an easy business."

The technological demands of logistics are also becoming greater. Mr Robbie Burns, managing director of Exel Logistics, a division of NFC, explains that substantial investment is required in information technology if vehicle fleets are to be properly exploited, goods tracked in transit and electronic data interchange systems used effectively. He explains that few manufacturers find such technology easy to manage or fund.

With their expertise, the logistics companies claim to be able to offer complete supply chain management which is highly reliable and cost effective. They can also provide the advantages of "just-in-time" inventory systems which can help reduce stocks and improve their return on capital.

"The aim is to develop partnerships between the customer and the logistics company, rather than the usual customer/supplier relationship," says Mr Richard Dawbarn chief executive of United Transport, a division of BET.

The first companies to take advantage of such relationships were the UK food retailers during the second half of the 1980s. These wrested control of the sector's logistics from the manufacturers which had previously dominated the supply chain.

Businesses such as Marks & Spencer were able to increase the amount of sales-space by increasing the frequency of deliveries and eliminating the need for most of their stockrooms. To guarantee reliability they used outside contractors to manage their deliveries and warehouses. For example, Sainsburys, the UK retailer, owns only four of its warehousing centres and uses 17 others which are operated by logistics suppliers.

However, a second wave of logistical innovation is now being implemented – this time in the field of manufacturing. Companies are looking for the logistics concerns to provide a complete supply chain from component suppliers to the manufacturer and then on to wholesaler and retailer.

The problem for the logistic suppliers is that their customers are demanding ever more expensive technology and ever greater geographical coverage. The technology does not come cheaply: last year, for example, DHL spent $250m on automation, computer systems and facilities.

The reason for the need for greater geographical coverage is the single European market in 1993. In preparation for 1993, multi-national companies are increasingly reducing the number of manufacturing plants.

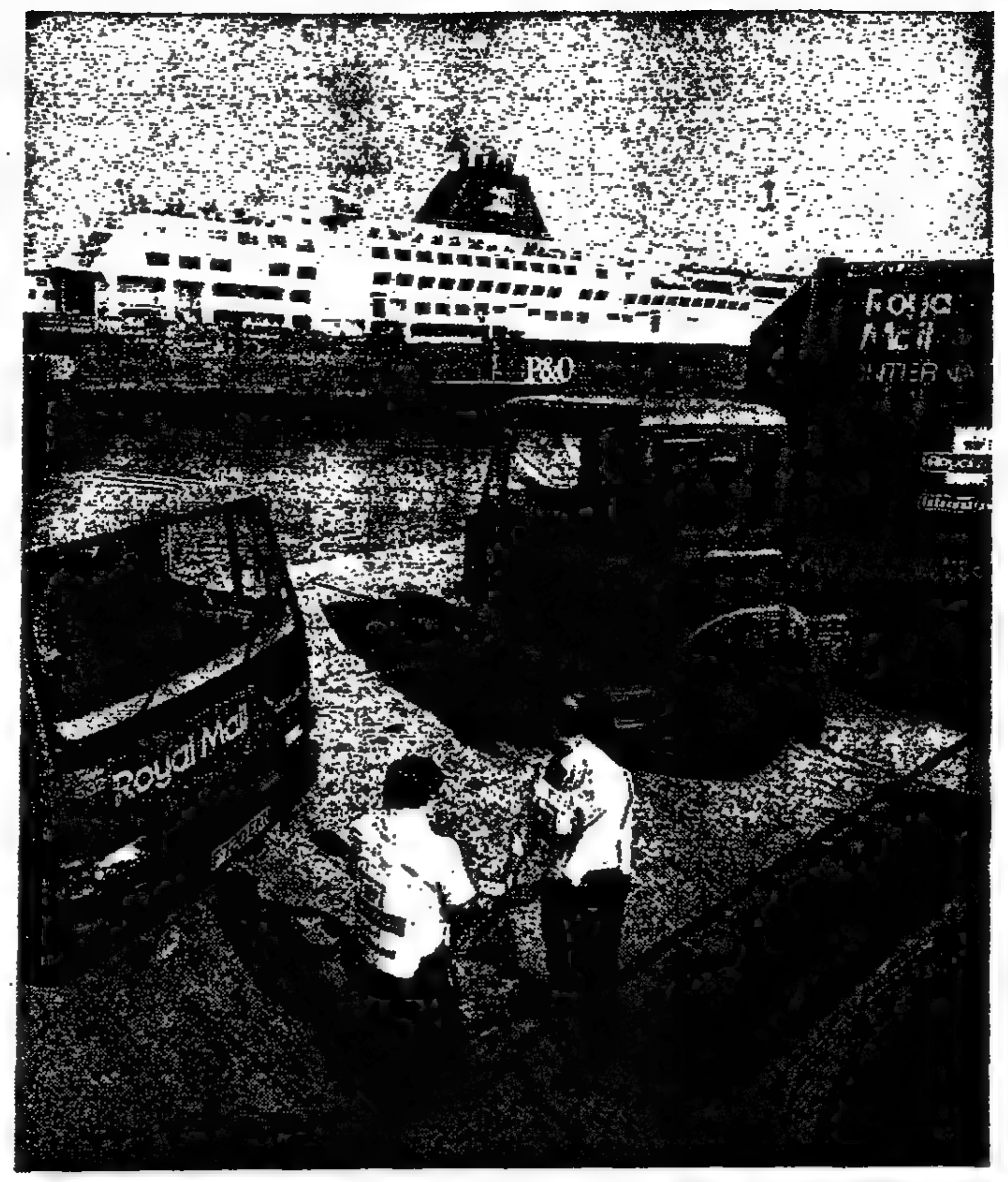
"Quite simply, we are moving from national manufacturing to pan-European manufacturing," explains Robbie Burns at Exel. "Companies are starting to reduce the number of factories, and those that remain are specialising. The consequence is that the logistics suppliers will have to provide pan-European transport systems moving components and finished goods across the Continent."

One recent study suggests that the number of freight movements in Europe is likely to increase by about 30 per cent over the next ten years.

A further reason for distribution companies to develop pan-European networks is so they can provide services to national retailer customers they already service in the UK. Marks & Spencer, the UK retailer, already operates in eight countries, for example.

Demand for services in central and eastern Europe is also growing. DHL estimates that consignments carried into the Soviet Union were up by 164 per cent during the first quarter of this year.

There are, however, considerable difficulties in setting up such networks. Although it can take time for distribution companies to create a system using organic growth, acquisitions also present problems.



Royal Mail International — a distribution service close to many hearts — handles more than 1bn items every year. The number will grow further as the single market opens

A number of distribution companies have had difficulties assimilating continental acquisitions into their systems. The problems of integrating computer systems and standardising working practices can be considerable.

In addition, the individual national markets remain stubbornly different. The industry in Germany, for example, remains highly regulated and is protected in terms of tariffs. Meanwhile, in France, the sector has been deregulated and is now highly competitive.

Mr Richard Dawbarn at United Transport estimates that since deregulation in 1988 rates have fallen by between 15 and 20 per cent in real terms.

The financial large capital costs involved in geographical expansion and increasingly expensive technology are taking their toll of the distribution companies, however. Even before the Iraqi invasion of Kuwait, it was clear that the industry was in the process of restructuring.

Federal Express has recently admitted it is not making money on its European operations and has completely restructured its UK operations, while Nedlloyd, the Dutch transport group which has been building up a network in Germany, recently decided not to issue an interim dividend after its half-year profits were nearly halved.

The sector, which is volume sensitive, is now faced with the danger of falling demand caused by a slowdown in the world economy.

At the same time, this fuel-thirsty industry is facing rising costs following the invasion of Kuwait. The UK-based Road Haulage Association, which represents about 11,300 operators, estimates that hundreds of small companies have ceased trading.

However, some larger companies are also looking vulnerable, particularly recent management buy-outs which have high gearing. In the UK, the most significant casualty has been Rockwood Holdings, the USM freight and distribution company, which went into receivership in July.

"The next 12 months are going to be interesting," says Mr Burns at Exel. "They're also going to be difficult.

IN THIS SURVEY

Editorial production: Heather Parker

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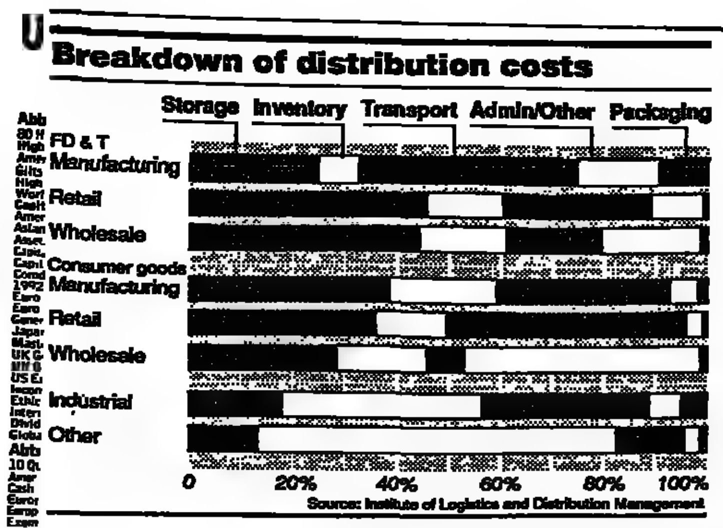
LOGISTICS '91 THE LOGISTICS AND DISTRIBUTION FORUM

Breakdown of distribution costs



Source: Institute of Logistics and Distribution Management

TOTAL DISTRIBUTION COSTS BY INDUSTRY SECTOR

	STORAGE % costs : % sales	INVENTORY % costs : % sales	TRANSPORT % costs : % sales	ADMIN/OTHER % costs : % sales	PACKAGING % costs : % sales	TOTAL % costs : % sales
FD & T						
Manufacturing	24.39 : 2.06	8.40 : 0.71	41.87 : 3.53	15.89 : 1.34	5.44 : 0.80	100.0 : 8.44
Retail	46.82 : 1.82	13.36 : 0.53	28.54 : 1.11	10.83 : 0.41	0.44 : 0.02	100.0 : 3.88
Wholesale	44.01 : 1.61	17.84 : 0.64	17.52 : 0.66	15.56 : 0.71	1.24 : 0.05	100.0 : 3.65
Consumer Goods						
Manufacturing	38.22 : 2.86	20.87 : 1.56	33.50 : 2.51	5.22 : 0.39	2.19 : 0.16	100.0 : 7.49
Retail	36.58 : 3.41	13.01 : 1.21	46.29 : 4.31	3.70 : 0.35	0.41 : 0.04	100.0 : 9.32
Wholesale	28.62 : 9.74	17.36 : 5.91	7.59 : 2.58	44.73 : 15.22	1.70 : 0.58	100.0 : 34.04
Industrial						
Manufacturing	17.51 : 1.57	38.70 : 3.47	31.92 : 2.86	5.85 : 0.61	5.02 : 0.45	100.0 : 8.97
Other	13.63 : 1.46	69.13 : 7.42	12.78 : 1.37	3.11 : 0.33	1.36 : 0.15	100.0 : 10.73
Overall	31.49 : 2.31	17.77 : 1.31	38.74 : 2.85	8.28 : 0.61	3.72 : 0.27	100.0 : 7.35

Source: The Institute of Logistics and Distribution Management

Capitalism finds a welcome: One of Excel Logistic's vehicles in Moscow to celebrate the opening of two Pizza Hut outlets

The industry is having to change its role, writes **Michael Terry**

Logistics firms don new clothes for 1992

BY CUTTING the number of carriers that bring components into its photo-copier factory at Venray, Holland, from 15 to one; improving its control of suppliers; and centralising its outbound deliveries of finished product, Rank Xerox estimates it can save $200m a year.

Behind the claim lies a classic example of how Europe's physical distribution industry is having to change its style to meet the increasingly stringent demands of manufacturers and retailers seeking economies of scale through pan-European operations and "just-in-time" (JIT) systems.

The distribution industry is having to change its role from that of traditional transport operator to that of manager of a whole range of supply chain activities, including forwarding, consolidation, warehouse management, picking and packing, transportation and electronic data interchange. Some of its members are even being asked to manage equipment sub-assembly, retail operations and computer software repair. Job descriptions have, as a result, become blurred, although most operators are happy to be tagged as logistics providers.

As the single market draws closer, the distribution companies are gearing up to cope with the new demands. Some are more advanced than others. However, as they anxiously jockey for business, they are only too aware that the eventual number of players will be small.

The trend is for manufacturers and retailers to concentrate on core business activities and contract out peripheral tasks, such as distribution, to specialists. By using logistics systems, companies can lower their operating costs and sharpen their competitive edge with improved stock control systems and delivery services. By contracting a third party specialist to do it, they can also cut down on staff overheads and improve their balance sheet ratios.

Many are looking to the distribution companies to develop and run the inbound and outbound flow of unfinished and finished goods on their behalf as well as finance, staff and manage the associated warehouses, IT systems and transport fleets.

The distributors admit that the sheer scale of resources now being required will result in a maximum of 10 companies dominating the market. They point to the need to develop pan-European infrastructures through acquisition, organic growth or partnership. They also warn of the need to cover legal and financial interests in contracts which involve the lease or purchase of multi-million pound warehouse facilities on behalf of a client.

Some are even branding their logistics operations. P&O European Transport Services has linked with Mannheim-based German distributor, Rhenania to form an integrated operation called Trans-European Transport. Swiss forwarder, Kühne & Nagel has named its service Euro Logistik.

"Our role now is to take care of the whole supply chain from co-maker through to manufacturer and on to wholesaler or retailer," said George Mes, financial director of Frans Maas, based in Venlo, Holland, whose clients include Rank Xerox, General Electric Plastics and Dutch tile maker, Mosa. "Transport is only one item."

David Buck, marketing director of Exel Logistics, part of NFC, commented: "If manufacturers follow the example of the motor industry and devote one particular factory to producing one particular product for the whole European market, there will be an increase in the requirement for distribution services.

"Because lines of communication will be long there will be a need for networks of warehouses, integrated stock control systems, the combined use of different transport modes and primary and secondary delivery services."

When Rank Xerox first took on Frans Maas as its sole distributor of inbound components, buffer stocks ranged from 10 to 40 days. Today there are no buffer stocks for JIT parts; for non-JIT parts they are a maximum of 10 days. Inventory levels, which used to run at 90 days, now average some 15 days.

Nico Timmer, director of materials and logistics at the Venray plant, attributes the improvements to a combination of reduced numbers of suppliers, improved quality control procedures and a more efficient distribution service. "Before we took on Frans Maas we used 15 different carriers for inbound components," said Mr Timmer. "At the start of the contract the aim was to keep transport costs down to the previous level. In the event they have been reduced by 40 per cent."

Rank Xerox has now begun centralising its outbound distribution for finished goods. In 1986, Frans Maas took on the task of designing and setting a new DFl20m automatic warehouse facility at Venray. Finished equipment is delivered to the warehouse from Rank Xerox's four European factories, each one dedicated to producing different models for all world markets, except the USA. Frans Maas personnel sub-assemble the equipment and customise the packing according to country.

Stock control is managed through on-line computer. Currently some 65 contractors, employed by Frans Maas but vetted by Rank Xerox, truck the equipment to European markets.

Frans Maas is widely recognised as being among the first of the contract logistics providers. It has worked hard at developing the concept since becoming a public company four years ago. It has its own team of specialist warehouse designers who are able to relate distribution activities to manufacturing operations.

The company has spent more than DFl75m over the last four years on providing warehousing and logistics facilities for its clients. It is understandably cautious about protecting its interests in contracts involving the provision of premises.

It spent DFl33m providing a new warehouse for General Electric Plastics (GEP) at Bergen op Zoom. Its 10 year contract with GEP has an option for a further 10 years. Mr Mes says that if GEP does not exercise that option, it is required to buy the facility.

The risk on the DFl11.5m warehouse which Frans Maas built for tile manufacturer

Companies are cautious in contracts involving the provision of premises

Mosa has been underwritten through a special joint venture agreement with a Dutch finance company. If the Mosa contract falls through prematurely, the finance company takes over full ownership of the property and can dispose of it at will. The warehouse is positioned on a prime site at Maastricht Airport on the Dutch-Belgium border and is expected to sell quickly.

Under the Mosa contract, Frans Maas operates a pan-European bulk delivery service by truck. It also runs the warehouse as a retail outlet selling tiles on site in any quantity required.

The special EPOS system which Frans Maas installed allows Mosa, for the first time, to manage its stocks precisely and rapidly and permits retail customers to give short notice for special orders.

Kühne & Nagel is spending £400m acquiring warehousing and distribution companies across Europe to set up Euro Logistik in time for the single market in Januray 1993. So far it has made acquisitions in Spain, the Netherlands, the UK, Sweden and Denmark.

Paris-based United Transport Logistics (UTL), part of the BET Group's United Transport International, which is awaiting a decision by GEP on a new warehouse operation at its French plant at Beauvais, can turn to its parent company's subsidiaries for a ready-made European infrastructure. It has access to warehouses and terminals as well as transport modes which include bulk chemical tankers, flat-bed rail containers, swapbodies, tank containers and cargo ships.

The proposed warehouse for GEP is a common user facility and is expected to cost FFr10m. UTL already runs a dedicated warehouse for BP Chemicals at Grangemouth. The building would revert to BP in the event of its premature withdrawal from the contract.

UTL's commercial development executive, Mr Ghislain Desjardins, says UTL is trying to change traditional French attitudes. "Warehouse deals are risky for logistics operators in France," he said. "Distribution contracts tend to be short. Clients are unwilling to accept liability for the premises. We are now trying to introduce the UK standards."

DFDS Transport, part of Danish shipping line, DFDS, set up its logistics department last year with the aim of providing a link between the UK, Northern Europe and Scandinavia. Its main contracts involve spare parts distribution for Ford and General Motors. It has properties in the UK, Belgium, North Germany and Scandinavia.

The EPS Group, based near Banbury, Oxfordshire, was formerly a packaging specialist. Its logistics service for US computer company Prime includes order processing, inventory control, literature distribution and software reproduction and refurbishment.

At Houdeng, Belgium it set up and manages the new European central warehouse for US chemical company, Dow Corning. Trans-European Transport was launched by P&O on October 1. P&O claims its strength lies with already having an extensive in-house network of warehouses, terminals and offices across Europe. It also has its own trucks and ships. The new company is now busy looking for business.

Michael Terry is editor of Financial Times European Freight Management.

PROFILE: Emery

Back from the precipice

ACCORDING to the third-quarter report just published, beleaguered airfreight carrier, Emery Worldwide, appears to be slowly and painfully hauling itself back into profitability. Its growing European express shipment service, which includes daily intra-European express deliveries of spare parts for German automotive manufacturers Porsche and Robert Bosch, is a lifeline.

The promise to the dealers and agents is that orders for spares from anywhere in Europe will be delivered within 48 hours. To help them keep that promise, Emery Worldwide has an overnight truck-and-aircraft service which has created a cost and space saving "just-in-time" (JIT) operation.

After a number of years in loss, Emery, which was bought out last year by US diversified transportation company Consolidated Freightways, debt and all, reported 1990 first quarter losses of $69.5m. Second quarter results showed an improvement, with losses reduced to $30.9m.

Third quarter losses are down to $9.6m, half the losses reported for the same period last year. Most of the blame for Emery's poor performance lies with inefficiencies in its American operation. The profitable European operation is seen as a lifeline. In the first half of this year its European airfreight business rose by 10 per cent and the European express parcel business increased by 33 per cent.

Porsche averages up to 100 shipments a day weighing up to 1,000kg. It has 94 main dealers in Europe. Bosch, which has 5,435 service stations, has about 150 shipments a day at a total weight of 1,000kg. Porsche products include engines, windscreens, bumpers and electrical equipment; Bosch demands lights, wipers, batteries and electric equipment.

Orders arrive via computer at Porsche's warehouse at Ludwigsburg and Bosch's at Karlsruhe and are picked and packed in readiness for the 6pm collection.

Two years ago, Bosch came on-line with Emery's EMCON tracking and tracing system. This relieves Emery of the need to station personnel at Bosch's warehouse, and allows Bosch to file data direct to Emery's Stuttgart Airport office in time to print all the necessary documentation for the evening flight.

Porsche is not yet on-line and Emery staff at the Ludwigsburg's warehouse need to file the data to the Stuttgart office after its initial receipt.

At 6pm, trucks collect the day's consignment from the Porsche warehouse and take it to Stuttgart airport for labelling, customs clearance and loading onto a Beech 99 aircraft for the 11 pm flight to Emery's European hub at Maastricht, southern Holland.

Bosch consignments are trucked to Stuttgart Airport in Bosch's own vehicles.

At 50,000sq ft, the Maastricht International Airport hub is Emery's largest overseas freight operation. Within a 250-mile radius of more than half Europe's 320m consumers, it covers 47 routes and serves 62 cities, using seven feeder aircraft and a fleet of dedicated linehaul trucks.

The airport has a curfew on all flights between 4 and 6am. The Bosch and Porsche consignments need to be sorted by destination in time for the pre-4am departure flights. On arrival at destination airports, customs clearance is overseen by Emery staff and sorted for truck delivery to the service station or dealer.

Michael Terry

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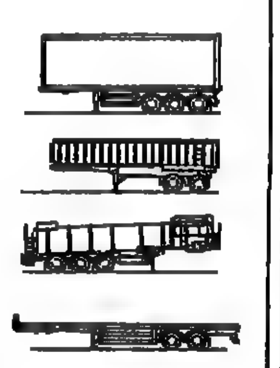

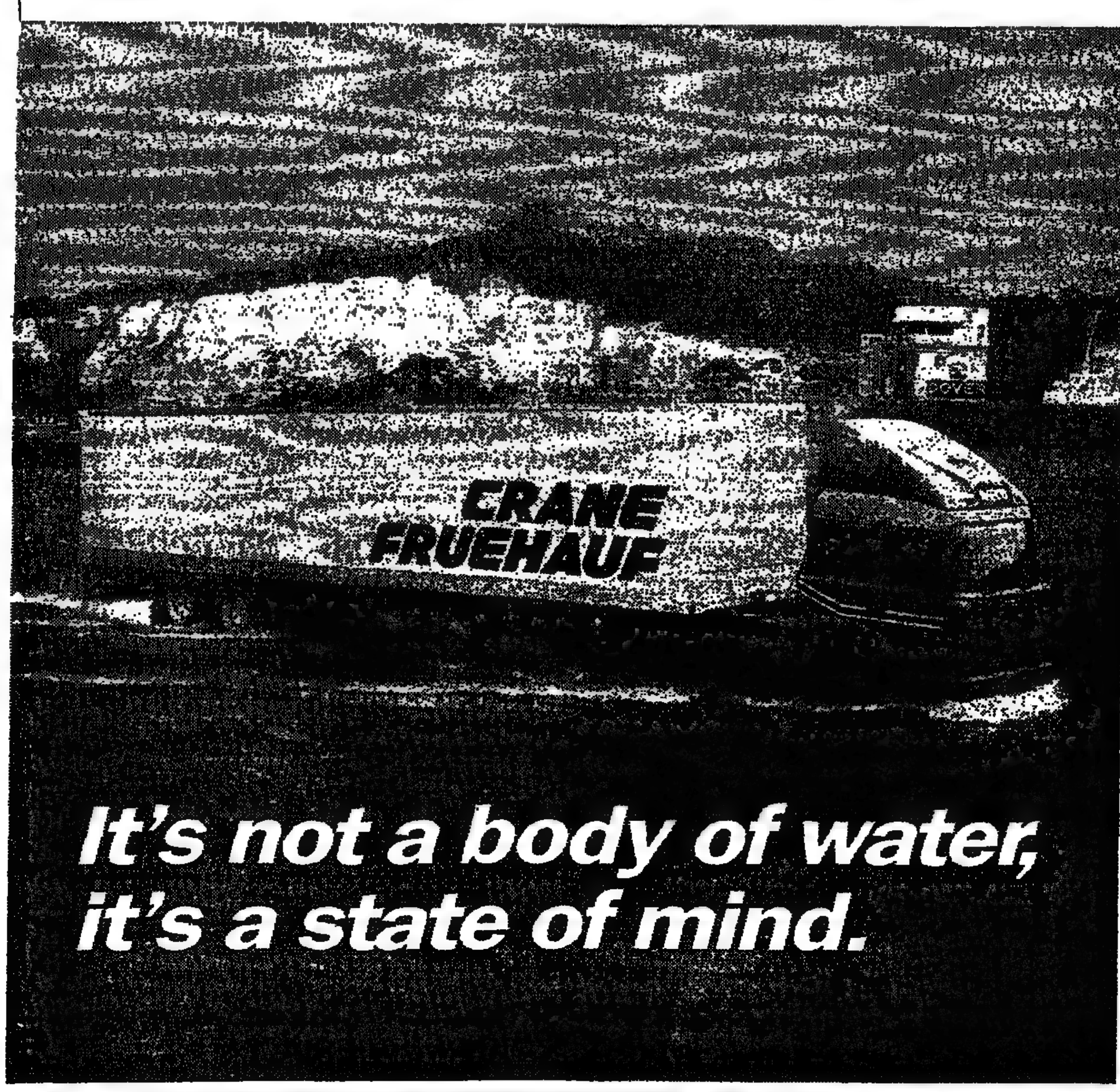

Anna Kochan looks at the situation in France

It's a closely contested game

RETAILING in France is a cut-throat business. It is dominated increasingly by a few big chains, the main strong points of which are their "promotions" or special offers. Their profit margins are small, which has severe effects on the manufacturers, none of which are very large – at least in the food industry. In this environment, a tightly-woven logistics strategy could play a very important role. Yet, it seems, most manufacturers and retailers are still behind their UK counterparts.

Some 850 hypermarkets and 7,000 supermarkets are responsible for 90 per cent of all food and drink sales in France today. Recent acquisitions and alliances are changing the balance of power in this sector, giving more weight to fewer enterprises.

Further takeovers could result as the big hypermarkets start to reach saturation point. The growth rate has dropped consistently during the last three years from 11 per cent in 1987 to 8.8 per cent in 1988 and 6.3 per cent in 1989. Antonine Jaenada, director of NCR – Frances's distribution division – predicts the threshold will be reached at 1,000, after which companies like Casino, Auchan or Euromarche will only be able to expand to one another's detriment.

On the supermarket front, there are worries because of the arrival of cut-price or hard-discounter German companies. Aldi, Norma and Lidl have already opened about 40 stores in France. The local chains have little chance of competing with the German knock-down prices as their profit margins are already as low as 1 to 1.5 per cent.

However, one area where there is still considerable room for cost-cutting is that of logistics. According to Exel Logistics' marketing director, Martyn Pellow, the logistics industry on the Continent is less advanced than that in the UK. French retailers mostly run their own warehouses which tend to be specialised according to product range. Cheap, single skin warehouses, for example, are used to store low-value ambient products. These warehouses are often full of twelve to sixteen weeks of bulk stock built up to support promotions.

Third party warehousing distribution companies in France

The industry is said to be less advanced on the Continent than in the UK

are smaller and more regionalised than in the UK, the most common being shared-user contract distribution where a third party acts as consolidator for manufacturers and handles delivery to the retail outlets. However, Mr Pellow adds, this is beginning to change.

The Mousquetaires group, of which Intermarche is the principal member, is an example of a retailer which owns its own specialised warehouses. The 30 warehouses around France serve 1900 sales outlets. Situated on road connections, rather than on the peripheries of towns, the warehouses are mainly dedicated to one of fresh produce, dry produce, or non-foodstuffs. The group runs its own fleet of 940 trucks and 1,300 trailers, some of which can carry as much as 22 tonnes of produce compared to the normal 14 tonnes.

The Mousquetaires logistics strategy is aimed at optimising transport. For fresh produce, its goal is to deliver in less than 90 minutes; for dry products maximum delivery time is 3 hours and non-foodstuffs are subject to delays of no more than 6 hours. Stock and order management is by computer and, the group claims, enables sales to be forecast four months in advance with 95 per cent precision.

One company which has taken a more British approach is Bahlsen, which has halved its logistics costs in seven years. In 1983, the company spent FFr45m or 9 per cent of its turnover on the distribution of its snack products in France – an exercise which involved 150 people. Today, only 15 people are employed and the logistics costs have stabilised at FFr45m, while the turnover has doubled to reach FFr1,000m. To achieve this result, Bahlsen has closed 11 of its 16 warehouses and has sub-contracted the management of the remaining five to specialist companies. In addition, it has disposed of its fleet of 60 lorries in favour of rented vehicles with drivers.

Euromarche has also developed a cost-cutting logistics strategy which is primarily computer-based. Some 20 stores in the Paris area are linked up to a computer network whereby all orders to suppliers placed by any of the 20 stores before 10am will be delivered before 4pm the same day to a central warehouse. Between 4pm the same afternoon and 2am the following morning, the warehouse will dispatch the merchandise. According to Gerard Guerin, Euromarche logistics director, the system has produced savings in transport because at each transport stage, the trucks are full.

In the competitive French retailing environment, it is not easy for UK logistics firms to break into the market. Mr Pellow's firm is one of a few British specialists in warehousing and distribution which has managed to gain business in France. After running a dedicated supply chain management services for Marks & Spencer in the UK, Excel Logistics-Fashionflow was selected to build and run a purpose-built composite warehouse and distribution centre for the UK retailer at Evry near Paris, in 1988.

Another UK logistics company, Harris Distribution, has also won a contract in France, thanks to an entree gained through sister company Baillivet which provides transport services. Part of the Transport Development Group, Harris has adapted its stock order location and rotation (solar) logistics package for the Lille-based distribution centre which it manages for a major French hypermarket chain.

According to Frank Tunney, Harris' marketing director, one important difference between the UK and French retailing environment is the large number of transport companies in France. He says there could be as many as five times the number in the UK and about 80 per cent are owner-drivers.

Another difference is the fact that most warehouses are own-account warehouses. In France, this is an attractive option because land is cheap and there is readily available warehousing space to rent.

Mr Tunney also warns any company thinking of entering the French market that the French are tough and talented negotiators. There is, however, a change towards more long-term thinking in the logistics area, and a greater tendancy towards a partnership-type relationship with subcontractors. Even so, the French still think in terms of three-year contracts rather than the five years in the UK.

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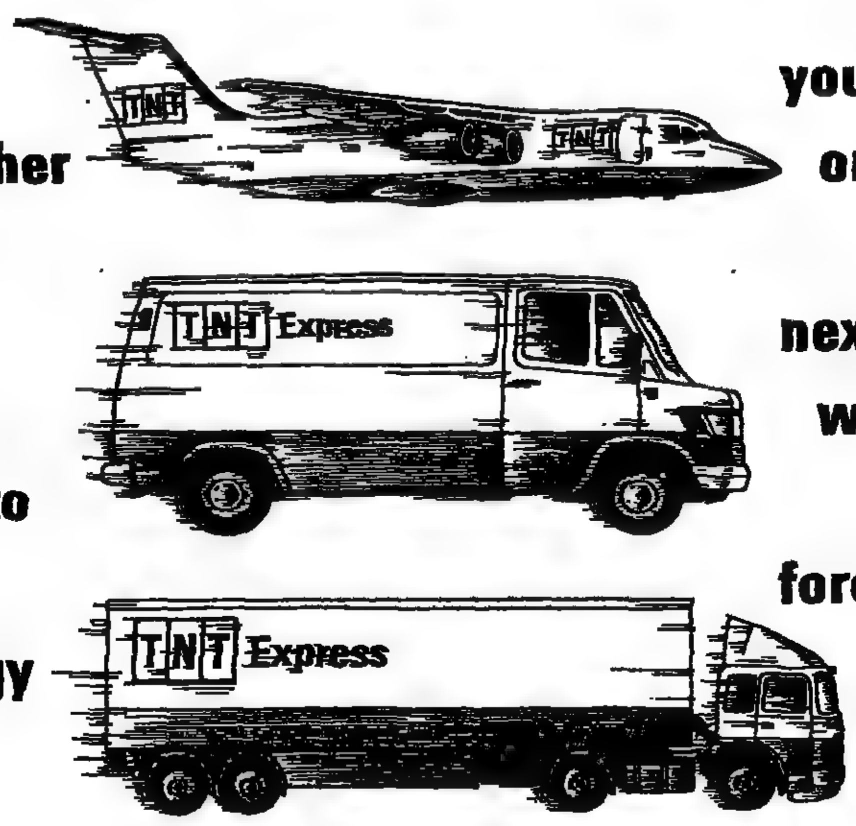

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Hard times mean focussed planning, writes **Phillip Hastings**

Operators engage low gear

WITH the transport industry regarded as a good barometer of overall economic conditions, courier and express companies have, not surprisingly, been among the first to feel the effects of the slowdown in business activity.

Service operators involved in international markets, particularly those in Continental Europe and North America, are also finding the going much tougher as competition and capacity increase at a time when traffic growth is slowing down.

Evidence of tougher times has been accumulating over the last few months. In August, for example, the normally bullish TNT Express, one of the UK's leading delivery operators, warned that a spate of express companies going out of business could continue for some time.

Mr Tom Bell, the company's general manager for express parcels, claimed the industry had been fighting itself. Some carriers, both large and small, were offering "competitive" rates which had in some cases proved suicidal. "Some of the largest names in the business are reporting greatly reduced profits and in a few cases huge losses," he said. As if to confirm that pessimistic outlook, TNT Express itself shortly afterwards announced some 200 redundancies in the UK.

A few weeks later, the Securiguard group issued a warning that as a result of the economic climate and in common with others in the same sector, the group's overnight and despatch businesses have experienced a significant downturn in trading volumes during the summer months and as yet these volumes have not increased in line with seasonal expectations. In the absence of the anticipated increase in trading volume, added Securiguard, the division was unlikely to report a profit in the second half.

Subsequently, Mr Bob Thomas, chairman of Securiguard's main overnight delivery company, City Link, claimed that in the case of the latter, the picture was not so much a case of volumes decreasing but the rate of growth slowing down.

However, Mr Thomas, who is also managing director of Securiguard's communications division, confirmed that times were tough in the local messenger/despatch market where the group had, over the last couple of years, acquired a number of companies. "In the motorcycle despatch industry as a whole, people are talking about revenue this year being around 30 per cent down on last year. Our own performance in that business has been flat," he said.

Also having a tough time in the UK is US parcels giant Federal Express, which has recently seen a shake-up of locally based senior management in a bid to steer its loss making parcel and home delivery operations back into profitability. The top British executives in the company at the beginning of this year have been replaced by Americans. At the same time, the structure of UK operations has been reorganised.

The changes are in line with a planned change in strategy for FedEx UK involving greater concentration on expanding its traditional US-type express parcels business rather than seeking to provide a broad range of commercial and home delivery services, as it has so far.

Another leading UK parcels company adopting a more focussed approach is the Mayne Nickless-owned carrier Parceline, which is looking to concentrate specifically on the time-definite (that is, one or two day, movement) of documents, packages and lightweight parcels for the commercial and retail sectors.

Explaining the thinking behind that policy, Mr Millbanks says all the signs indicate that the UK parcels delivery business is now polarising. At one end, he says, are the low cost niche operators, such as some of the franchise organisations, servicing particular parts of the market very efficiently. Many of them should survive, he believes. At the other end of the scale are the large operators such as Parcelforce and Securicor, which ought to survive also. The carriers inbetween are the ones which will struggle to survive.

The two very large competitors mentioned by Mr Millbanks have themselves both undergone marketing and operational revamps this year in a bid to strengthen their positions.

Parcelforce is the new identity for Royal Mail Parcels launched at the beginning of this year, a development which is being supported by an £80m investment programme. That "identity change" was followed last month by a change of name for Securicor Express Parcels, which now becomes Securicor Omega Express. The intention is to develop Omega as a Securicor Express brand name worldwide.

Internationally, Securicor plans during 1991 to complete its EC cross border network, and then over the next five years build up national domestic operations in every EC country where such development is economically sound. By the late 1990s, it intends to have built up a global express operation.

Securicor's plans are in line with a general trend among express companies. Big internationals like TNT, FedEx, DHL, United Parcel Service and Emery Worldwide continue to increase their depth of market coverage through acquisition and in-house expansion.

Main worry for many of them as far as the general European express scene is concerned involves the growing fear that they will lose out in the planned liberalisation of EC air cargo operations.

The European Parliament's transport committee recently broadly approved the EC air-freight industry liberalisation proposals put forward earlier this year. Those proposals, which are now due to go forward to the full European Parliament and the European Council for ratification , make no allowance for the inclusion of non-EC integrated carriers like TNT, FedEx and UPS as licensed cargo airlines. If that remains the case, those integrators will be able to continue operating as they do now but will be unable to take advantage of any general liberalisation of EC air regulations.

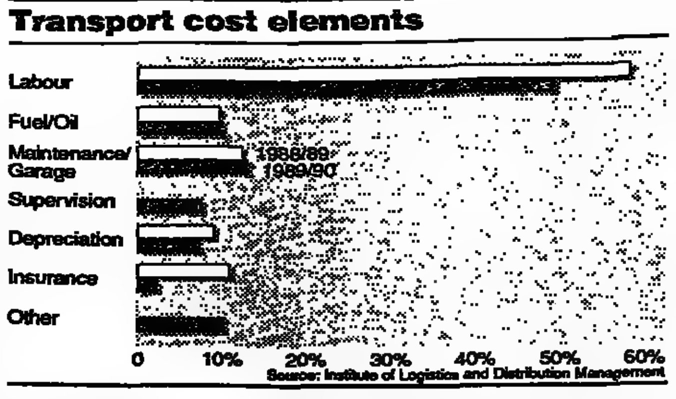
Meanwhile, middle-ranking UK and other European domestic express companies are also seeking to develop the international coverage, particularly in terms of the EC, which they believe will be necessary to survive and prosper after 1992.

Bristol-based franchise operation Amtrak Express Parcels, for example, plans to start European overnight parcels delivery services on a trial basis in November ahead of a full launch in mid-January. The intention is to offer next-day delivery in 30 Western European cities and their vicinities.

To achieve this, Amtrak will route traffic via London Heathrow. The company will use express industry wholesalers and agents in the countries served. It is also looking to develop services to the US.

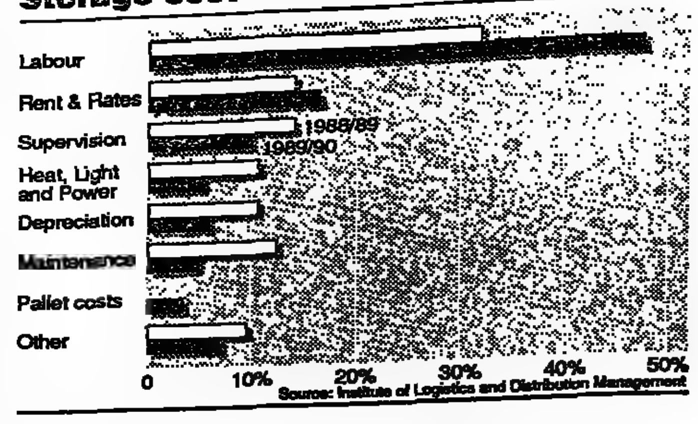
Already in that market but looking to expand its involvement, is rail-based parcels carrier Red Star. The latter is due this month to launch a partnership with US company Airborne Express as a prelude to expansion in the transatlantic parcels delivery sector. Through that tie-up, Red Star hopes to increase its outbound international traffic to the US from less than 1,000 parcels a month to more than 20,000 by mid-1992.

Transport cost elements



Source: Institute of Logistics and Distribution Management

Storage cost elements



Source: Institute of Logistics and Distribution Management

Demands have changed, writes **Phillip Hastings**

Technology revolution

FAST, reliable door-to-door movement of goods is no longer sufficient to meet the requirements of modern day distribution and general logistics management.

Companies now increasingly want to use distribution service information systems which will enable them to get details on the precise whereabouts of their consignments at any point in their movement. In addition, they want to be able to use the distribution process to gather management information which will help them run their overall business activities. Such considerations apply particularly where companies are involved with "just-in-time" (JIT) distribution systems. By its very nature, JIT demands that information about delivery requirements and operations be passed quickly between all parties.

In the European context, the advent of the EC single market is further encouraging the move towards EDI systems, which in turn puts pressure on distribution companies to develop pan-European information technology systems.

Getting that sort of development right, claims Mr Christopher Metz, commercial development director for BET group distribution company United Transport Logistics, will be vital to the future of any distribution company seeking to provide Europe-wide services.

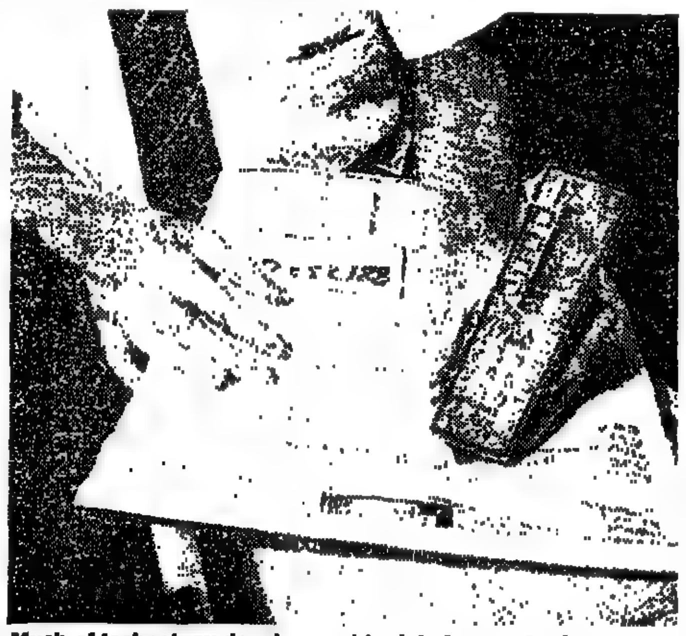
"I guess that right now, few customers are as ready to actually make full use of EDI capabilities as they might like to make out, even if we could offer them those facilities. However, most of the big organisations are interested in developing those capabilities over the next year or couple of years and we certainly perceive that we will not even get on the invitation list for big contracts if we are unable to offer that facility," he said.

Transport companies specialising in the provision of express delivery services have been in the forefront of distribution industry information technology (IT) development to date. Leading international operators such as TNT, DHL, Federal Express and UPS have all been investing heavily in computerised cargo processing, tracking and general information technology systems.

United States parcels giant UPS, for example, has invested something like US$1.4bn (£720m) in new computer-based technology development in the US and worldwide over the last five years. In the UK, TNT has already invested more than £12m in computerisation and is plannning further expenditure in Europe as a whole, while parcels carrier Securicor Omega Express is involved in a £25m information technology development programme.

Much of the development to date has centred on consignment tracking and some of the more advanced systems are now able to track shipments throughout their door-to-door movement.

At the same time, the level of investment and service sophistication required to meet present-day distribution demands means that service operators and their customers are looking to work more closely together. In many cases, operators are now installing their own computer terminals and staff on customers' premises to further improve communication between the parties.



Much of technology development to date has centred on consignment tracking, frequently using bar coding

Increasingly, distribution companies are opting to use bar coding as the means to identify goods being handled through their systems. Securicor Omega Express, for example, has recently brought on line just such a UK parcels-processing system. Future developments will include an EDI facility targetted principally at customers involved in JIT operations.

Most service operators are looking to develop methods of computerised communication and tracking which are compatible with general EDI systems. So-called "closed loop" IT systems which can only be used in connection with one particular company's activities appear to have only a limited future.

In a similar vein, another increasingly prominent feature of distribution industry information technology development is a move towards systems which offer full, integrated pan-European coverage.

The TNT organisation for example, which is involved in express delivery and contract distribution activities throughout Europe, has to date generally seen its three main divisions in that market, TNT Express UK, TNT Express Europe and TNT Skypak, pursue their own individual IT developments.

Now, following a recent strategic review of its IT requirements in Europe, TNT is about to start work on the implementation of three new systems which cover the activities of all its European divisions.

The first is a freight management system, the main functions of which will be to handle collection requests, order entries, delivery information, proof of deliveries and the pre advice of receiving depots. The system will probably have direct links with Customs, customers and collection/delivery vehicles. In tandem with the development of that system, TNT plans to develop a new administration and financial reporting system and a consolidated customer system. The latter will allow customers to communicate their order and retrieve consignment status information using their own terminals.

TNT has not yet made public the investment costs involved in developing the new pan-European systems but says the intention is to start work on their implementation in December/January with a view to having most of the major development work completed by the end of 1992.

"We already have good IT systems in place, but the new systems will give customers greater flexibility in the way they interface with TNT in Europe. We will be able, if required, to provide customers with consolidated information, invoices and statements. The new systems will also generally speed up the flow of information between the different divisions and between them and customers," commented Mr Dennis Beard, TNT European data processing manager.

PROFILE: The brewing industry

Mysterious case of the vanishing kegs

THE UK brewing industry has a history of "disappearing" beer kegs. Losses run into tens of thousands of kegs each year, with an estimated value of £20m.

Empty kegs can occasionally be seen put to unintended uses – some northern pigeon fanciers find that they make excellent supports for their lofts, and in the south yachtsmen have been known to use them as mooring buoys. But most lost kegs are stolen in a more organised way, to be melted down and sold as scrap aluminium; the metal content of a typical aluminium keg is worth about £40.

Grand Metropolitan – one of the largest UK brewing groups, incorporating Watney Mann and several regional brewers such as Websters, Ruddles, Phoenix and Ushers – has introduced a computerised tracking system which promises to reduce losses among its 1m kegs.

Finding a suitable way of marking the kegs was not easy

Each keg is marked permanently with a 12-digit bar code, in accordance with the standard coding system recommended by the Brewers' Society for the industry.

Finding a suitable way of marking the kegs was not easy. The bar code has to remain legible for 10 years in a hostile environment. About 10 times a year each keg returns to the brewery to be scrubbed and washed externally with water jets at 3,000 pounds per square inch, then steam-cleaned internally at a temperature above 120 deg C, and finally cooled rapidly to 4 deg C as it is refilled with beer.

Of course, the distribution process itself also gives kegs a regular bashing: the two-man delivery crew roll the kegs off the lorry and across the pub yard, drop them into the cellar and stack them on top of each other.

Grand Metropolitan came up with an indelible keg marking system, gluing the printed label to the aluminium with an epoxy label inside a plastic sandwich.

Finding portable bar code readers that would be sufficiently robust to be carried round by the delivery crews was more difficult. The company wanted readers that would survive being driven over by a lorry, dropped down a cellar or soaked in beer.

Grand Metropolitan eventually got the system it wanted from Zengrange, a Leeds company that specialises in adapting portable computing equipment for particular users' needs.

The company is a leading supplier of portable computers to the Ministry of Defence for use on the battlefield – "an environment not unlike that of brewery distribution," comments Mr Ray Walker, commercial manager of Zengrange.

Zengrange also designed cab-mounted computers for Grand Metropolitan.

At the beginning of the day the crew collect a data cartridge containing details of the load and drop, customers and number and size of kegs to be delivered. The draymen, as they are still known in the trade, insert the cartridge into the cab computer, which asks them to key in an identifying code and goes through a quick self-checking test.

On the road, the draymen can page through the names and addresses of their drops displayed on the computer screen. They are free to choose the order of delivery.

When they reach a pub the draymen confirm their location on the computer, take out a pair of bar code readers and read the codes on the full and empty kegs.

On completion of the delivery they insert both guns into the computer, which downloads the data within half a second. It compares the data with the order and, if they correspond, prints a timed delivery document which is signed by the crew and the customer.

At the end of the day the depot supervisor downloads data cartridges from all the vehicles into a personal computer. Records then go to the Grand Metropolitan mainframe computer for analysis and management reporting.

To complete the cycle, on return to the brewery the kegs are read by a fixed scanner on the production line to record product details at the time of filling.

Although the prime impetus for introducing the tracking system was to reduce keg losses, Grand Metropolitan expects it to deliver many other financial, operational and marketing benefits during the 1990s. For example, it could be extended to collect market research data, to print invoices at the delivery point and to initiate electronic funds transfer.

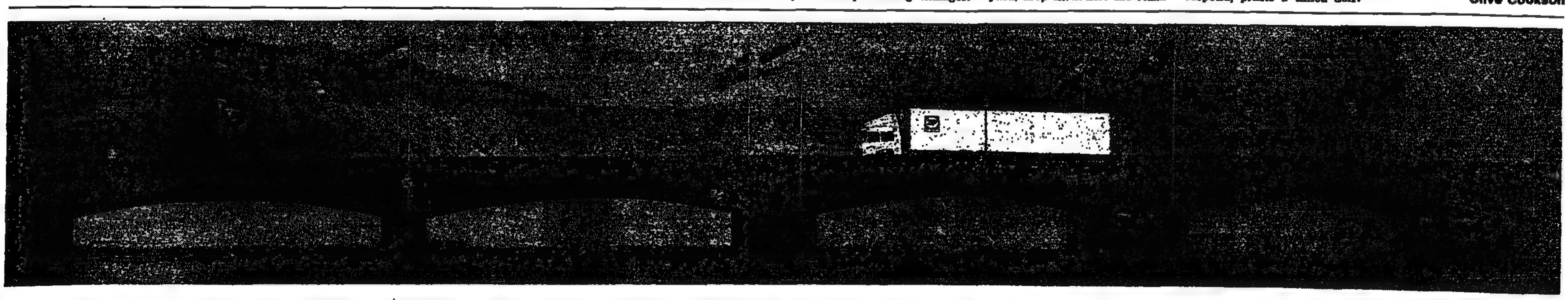
Grand Met expects the system to deliver many other benefits

Grand Metropolitan pioneered computerised keg tracking in the UK, says Mr Walker of Zengrange, but the other big brewers are now considering introducing their own systems.

One possibility for the future is to attach a miniature radio tag to each keg instead of a bar code. When Grand Metropolitan was planning its system, radio tags were too expensive for the purpose, but they have recently become cheap enough to offer a serious option to breweries.

Radio tags have several advantages over bar codes. They can store more information about the keg and its contents, and a lorry load of radio-tagged kegs could be read at one go instead of having to scan each individual keg with a bar code reader.

Clive Cookson



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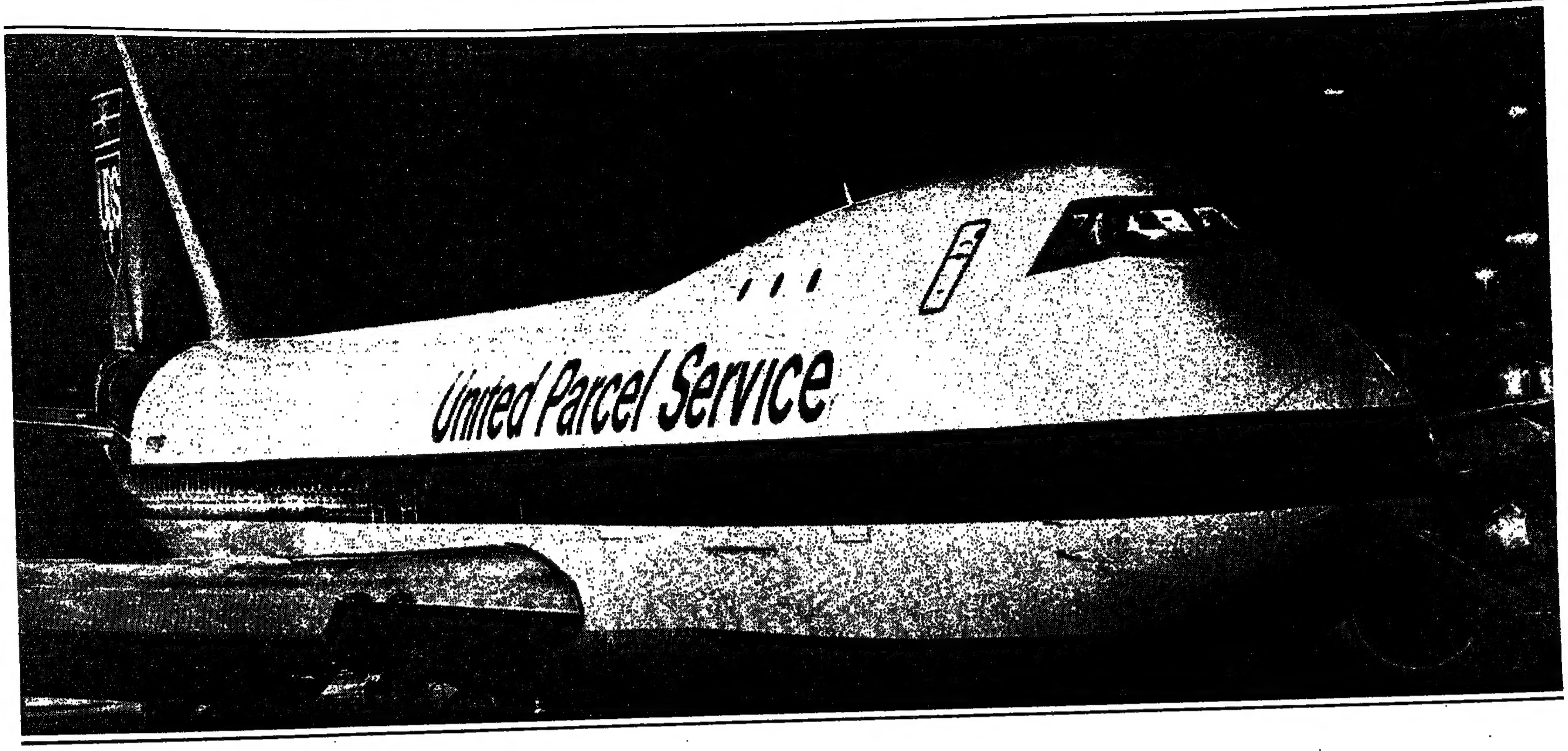

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David Robinson looks at railfreighting

The ecologically sound alternative

THE future for the movement of freight by rail in Europe is bright because rail offers an environmentally friendly method of transporting goods as well as a way of relieving increasingly serious road congestion. Add to this the growth in traffic expected to be generated by the single market, and the rail freight business has both opportunity and challenge facing it though the 1990s.

Road transport accounts for some 50 per cent of all freight movement in Europe although in some countries, such as the UK, the figure is in excess of 80 per cent. The single market and the opening of the Channel tunnel, scheduled for June 1993, will influence the movement of goods as well as connect the UK to the European rail system for the first time.

The Channel tunnel is vital to the future of the UK if the country is to be competitive with its European neighbours. Within the single market, competition and a high quality of service will be crucial. The concentration of manufacturing into a few strategic locations and the use of "just-in-time" systems will require transport to become more efficient and change-sensitive.

Rail authorities will have to overcome entrenched nationalistic attitudes

To grasp these opportunities the European rail authorities will have to overcome entrenched nationalistic attitudes. Combined road/rail transport, already commonplace in Europe, is seen as the answer to making distribution systems more productive.

With political and financial support from the European Commission and the co-operation of the national rail networks, it is planned to develop a high-speed combined transport network serving key centres. Besides a change in attitudes, this will also need substantial investment in rolling stock, information technology and depots. It also requires better marketing and more efficient road haulage services at the depots.

If all this can be achieved, it is estimated that the volume of combined transport traffic in the EC could treble to some 42m tonnes by 2005. Combined transport can offer savings of up to 30 per cent over all road transport; and, in many cases, quicker transit times.

Steam trains may have fired the imagination along with tons of fossil fuels, but the less romantic and more efficient modern machine is a lot greener

Combined transport will be a new departure for the UK but already Railfreight Distribution (RFD), one of the five divisions of the railfreight sector of British Rail, is operating a trial service. With exceptions, the movement of goods by rail is uneconomic over distances of less than 200 miles, but the opening of the Channel Tunnel will allow through trains to operate on through routes.

British Rail and SNCF (French Railways) have been allocated 50 per cent of the tunnel's capacity to run passenger and freight trains. The other 50 per cent will be Eurotunnel passenger and freight shuttle trains. Between two and four freight shuttles will run each hour, which are forecast to carry 9m tonnes of freight in 1993 rising to 14.6m tonnes in 2003, and 20m tonnes in 2013.

BR, which moves 2m tonnes a year using the Dover-Dunkirk train ferry service, sees its traffic trebling to 6.1m tonnes on through-trains. Eurotunnel is more optimistic and suggests that through-trains will carry 7.2m tonnes in 1993. Their estimate for 2003 is 12.2m tonnes and 18.1m tonnes for 2013. RFD plans 54 trains a day (27 in each direction) in 1993, increasing to 70 trains a day as traffic increases.

Three types of service – intermodal, classic wagons and trade cars – will be offered at speeds up to 75mph. More than £100m is being invested in new rolling stock, and improving track and freight line electrification between Redhill and Tonbridge, one of two freight routes to the tunnel.

To help overcome the difference in the loading gauge between the UK and the Continent, BR is developing small wheel bogue wagons so that 9ft 6in wagons and swap-bodies can be carried. To develop combined transport services, RFD has for some months been running a trial service, between Harwich and Garston in the north west, using swap-bodies on special Multifret intermodal wagons. Negotiations are also under way to set up a combined transport company in association with UK hauliers and the combined transport operators, Kombiverkehr and Novatrans.

Combined transport also features in a private/public sector joint venture called Charterail. This company, in which BR has a 22 per cent stake, was formed earlier this year and is operated by GKN, but also has a number of other shareholders. Charterail plans to operate UK distribution services using intermodal wagons, such as the American RoadRailer system and the Tiphook bimodal wagon.

BR sees its traffic trebling to 6.1m tonnes on through-trains

Charterail's first contract is with Pedigree Foods, and by the summer of next year it will be running at least five trains a day.

At the time of this new venture, RFD has a problem with Speedlink, its wagonload service which lost $30m in 1989 on a turnover of $45m. Talks are under way with the users to seek a solution, and a decision is expected in November. Mr Gisby points out that "Charterail is not a replacement for Speedlink, although there might be opportunities for some business to switch over."

With the Speedlink problems and delayed announcements over the network "of up to 12 freight villages" to serve the Channel Tunnel causing increasing frustration among customers and potential users, RFD is subjected to many complaints. The freight village announcements are expected this year or early in 1991.

PROFILE: UTL

Time for some tight planning

FORMULATING a strategy for information technology development throughout Continental Europe and the UK will be vital for any distribution company seeking to provide pan-European services in a EC single market.

So says European distribution service operator United Transport Logistics (UTL), part of the BET conglomerate, which is taking its own advice seriously and implementing a strategy covering its future.

Future IT systems, says the company, will have to cover all aspects of storage and distribution activity on a Europe-wide basis. "We already have very sophisticated information technology systems available when it comes to controlling warehouse and fleet operations," said Mr Christopher Metz, commercial development director.

The key to success in the future, when it comes to pan-European distribution and IT systems, will be the ability to track and trace consignments wherever they are in the distribution chain and feed back that information quickly to whoever needs it.

One of three main divisions within the United Transport Europe group, UTL generates around 42 per cent (£100m) of a group revenue which in 1989/90 came to just on £240m. The other two divisions are intermodal (37 per cent of revenue) which includes container and other unit load operations; and tankers (21 per cent) which concentrates on road tanker/tank container services.

Each of those divisions has a separate management organisation and headquarters. The logistics division, for example, is based in Paris (France accounts for nearly 40 per cent of the division's revenue; the UK, 20 per cent; the Benelux countries 14 per cent), while the unit load division, which includes the Seawheel flats operation, is based at Ipswich.

Since customers often make use of services provided by both those divisions, plans by UTL to produce a strategy for information technology development also had to take into account the need to interface with the operations and established IT systems of the unit load side. The tankers division is seen as a more specialised business with its own particular needs.

"When considering what our strategy for IT development should be, we started from the point where each company in those divisions had its own ideas on information technology and where it wanted to go, and was pursuing those plans accordingly," said Mr Metz.

"In fact, not only did each of those companies have its own sense of direction but quite often, individual contracts within those companies had their own IT systems which had been developed to meet the needs of specific customers."

To spearhead the development and implementation of a strategy to pull together all those operations and systems, UTL earlier this year appointed an information technology director, Mark Goldfab, with a brief to sort out a proper strategy for future development in that area. The first question to be resolved was how to tackle the subject of IT development. According to Mr Metz, two options were considered.

"One was the centralised approach which would have involved putting the development team in the centre, defining a single system which could perhaps be modified a little to meet the individual needs of the subsidiaries, and then applying that system through the organisation," he said. "The other possibility was to allow the main development initiatives to continue to be taken at the individual company level, but to impose rules which said that whatever they chose to do in terms of hardware and software must be capable of passing on and receiving messages from their sister companies."

UTL opted for the latter course because it was considered important to let individual companies take the initiatives they felt best suited the needs of their particular customers.

According to Mr Metz, there are three main aspects or phases to that decentralised approach. The first involved establishing a corporate policy on the hardware to be used. That has now been achieved, with the organisation opting to use IBM equipment.

Now in progress is phase two, which basically involves establishing the interface rules by which each member company and division will have to abide. That development, says Mr Metz, should be completed by the end of this year.

Third key area involves what Mr Metz terms "trying to avoid the reinvention of the wheel" every time an individual company or operation comes across a problem or situation requiring attention.

"That can be quite a sensitive issue. For example, in France we have a company which uses a French warehouse control package which is probably a little more advanced than anything our UK companies have in that area. On the other hand, although that package is well supported in France, would we be able to get any proper technical support in the UK if we opted to use the system here?" he asked.

Similarly, you also have to consider to what extent the cultural differences between customers in France and the UK, for instance, are going to mean differences in their requirements for IT systems. Such systems are not exactly fashion goods, but sometimes they are not far from it. You can find that customers in one market will all suddenly move towards wanting the same thing because they see their competitors have got it.

However, says Mr Metz, most customers have three basic requirements when it comes to IT systems in logistics. They are:

- Fast and simple tracking and tracing capabilities so they can respond quickly to any requests from their consignees;
- The ability to transmit delivery instructions; and
- Good statistical performance reporting.

Phillip Hastings

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FT 7-11

TRAILERS

Heavyweights take over

NEW patterns of distribution, the increasing sophistication of such activities and the advent of the EC single market are combining to produce changes in the field of trailer operations.

Operators are increasingly inclined to rent rather than buy, while the trailers themselves are becoming ever more technologically advanced.

According to trailer rental companies, the UK trailer fleet is now around 225,000 units, of which some 15 to 18 per cent is rented. In Europe, the total is estimated to be around one million, of which only 3 to 4 per cent is rented.

The two trailer rental companies which dominate those markets, Tiphook subsidiary Central Trailer Rentco (CTR) and TIP Europe, predictably believe the potential for business growth in Continental Europe is considerably greater than that for the more mature UK market. In addition to the EC, they also believe there will be considerable opportunities in the developing markets of Eastern Europe.

Operators are increasingly inclined to rent rather than buy

The increasing dominance of those two companies in the European trailer rental market, following a number of acquisitions over the last few years, is reflected in their fleet figures. CTR's European trailer fleet is put at around 31,000 units while TIP now reckons to have a fleet of just under 22,000. Next largest trailer rental company in the UK is probably NFC subsidiary BRS, which has around 2,500 units, plus a further 3,400 being operated under contract hire.

Mr Colin Barr, group marketing manager for BRS Trailer Rental, supports the view that growth in the UK rental market will slow down. "The overall growth in trailer rental in the UK over the last three or four years has been in the order of 11 to 15 per cent. I think the rate of growth over the next three to five years may be only around 3 to 5 per cent a year," he said.

The trend towards market domination by a few big organisations is largely explained by the investment needed to acquire a fleet, the economies of scale which can be gained from supplying a large number of units, and the increasing sophistication and expertise needed both to support such operations and gain best financial return on investment.

On the investment side, for example, a standard semi-trailer now generally costs in the region of £17-£20,000, while a temperature controlled unit is usually around double that figure. With users increasingly opting for more sophisticated equipment, a typical medium size rental contract involving 50 trailers could require an investment by the supplying company of around £1.5m.

The need to achieve economies of scale in order to run a successful rental business is illustrated by figures from TIP. In 1969, says the company, a standard 12.2 metre tilt semi trailer cost around £2,500 to acquire and the weekly rental was £30. With the trailer out on hire for 75 per cent of the time, the rental company recovered 47 per cent of the capital cost of the trailer in one year. Today, a 13.6 metre costs at least £17,000 and the weekly rental is typically £120. At the same 75 per cent utilisation, says TIP, the rental company can only recover 28 per cent of the capital cost in one year.

Trailer rental companies in fact have to be very accurate in their calculation of charges if they are to achieve maximum returns. They have to take into account the fact that while the average life of a trailer is around 15 years, the typical first user rental contract for new equipment may only run for three to five years, so secondary customers have to be found.

Helping to boost the business of companies like TIP, CTR and BRS are two other general features of European distribution activity. One is the general tendency of manufacturers and retailers to contract out most or all of their transport and distribution requirements. The other is the growing realisation among those companies and the distribution service providers that they need to take into account the broader EC market and not just the domestic sectors.

A further influence is the fact that companies will be looking to invest more in European distribution centres and related infrastructures and as a consequence will have less capital available to buy equipment like trailers.

Another problem for UK trailer operators looking to develop their fleets over the last two or three years has arisen out of the fact that new equipment which might meet existing UK legislative requirements might not be suitable for use in an EC operating environment.

A recent example of that kind of complication involved a UK government decision to allow 13.6m trailers to be used for domestic work as well as international operations from this year – a year earlier than had been planned. Previously the limit had been 12.2m. The overall length limit for articulated vehicles incorporating trailers has also been increased, from 15.5 to 16.5m. In connection with those changes, the UK Department of Transport sanctioned the use of existing tractor units at the new length.

However, as Mr Pat Berridge, technical director for CTR, points out, operators might not find it advantageous to make full use of extended length. Taking as an example the situation in relation to curtainsider trailers, he explained that because the UK imposes a limit of 38 tonnes on vehicle/trailer gross combination weights, even though most of Europe is working to 40 tonnes, it followed that UK users did not need to go to a full 13.6m-long semi-trailer.

Mr Berridge says the 38-tonne vehicle weight limit in the UK, coupled with the approach of the EC single market, is encouraging the design of more lightweight semi-trailers – but "while lightweight units favour higher payloads, they also bring extra costs...In more extreme cases, the integrity of the vehicle can rely heavily on dedicated load patterns," he said.

Demand is also growing for trailer units which can be used for European road/rail intermodal transport systems incorporating the piggyback concept. The system comprises a combination of a lightweight rail car and a standard articulated semi-trailer.

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John Thornhill listens to the Medallion Man's secrets

A sense of urgency makes good business, says Ratner

"WAREHOUSING is the engine room of our business. It is the secret of our success," Mr Gerald Ratner says, somewhat surprisingly, as he lounges in the splendour of his vast Mayfair office.

The flamboyant chairman of the fast-growing Ratners jewellery business is best known for his great sales skills and his seeming ability to offer the public exactly what it wants, whether it is men's earrings or Dick Tracy watches.

Mr Ratner, who was recently dubbed the Medallion Man of the jewellery industry by Campaign magazine, is not normally regarded as much of a backroom boy.

But Mr Ratner says warehousing and distribution skills are becoming increasingly important in today's retail environment and have been one of the big factors in enabling his business to increase like-for-like sales in tough markets.

Warehousing and distribution skills have been success leaders, Mr Ratner says

When Mr Ratner announced interim results in September, he was able to boast an impressive 15 per cent improvement in like-for-like sales in the Ratners and H Samuel chains and an 18 per cent rise in the Zales' business.

During the peak Christmas period, when the company makes the vast bulk of its sales, these distribution skills become all the more critical and Ratners' two distribution centres in Colindale and Birmingham buzz with activity 24 hours a day.

The company tries to make sure that every item sold in every store in the United Kingdom is replaced by 6 the following morning and is put on display by the time the stores open at 8.30am.

This flexibility in distribution enables Ratners to respond to changes in market demand right up until the last day's trading on Christmas Eve and gives it a significant competitive edge over its rivals. Previously jewellers had to "guesstimate" what their requirements might be by extrapolating from past sales patterns.

"There used to be an old jewellers' rule that the first eight months were equivalent to the last four months – and on September 1 you would order the same as you had ordered for the first eight months," Mr Ratner says.

Distribution in the jewellery business was also slow. For example, before it was taken over by Ratners, the H Samuel jewellery stores received their last pre-Christmas deliveries on December 1.

This invariably meant that they had a dearth of some items in the peak selling season and a glut of others.

Ratners is able to respond to demand so quickly because of the computerised information system it now has in operation.

During the day, two electronic "polls" are taken of all sales made at its 1,000 stores. One poll is taken at mid-day; the other at 6pm when the shops close.

By 8.30pm a computer has drawn up a "picking list" of all the items that have to be replaced and the necessary items are despatched through the night.

Sometimes helicopters and aeroplanes are brought into use to make sure that the merchandise arrives on time, especially in the more remote regions of Scotland.

The company's accountants tell Ratner that some of these delivery runs are uneconomic, but he remains unrepentant.

"I just take the view that it creates the right approach to business.

"We try to create a sense of urgency. If people see that we are busting our balls to get the stock to them then they are more likely to bust their balls selling it," he says.

'High street space is so expensive that we cannot sit on anything that is not performing'

This computerised information system also gives Ratners a good appreciation of how fast particular items are selling. The company believes that a fast turn around of stock is essential since during the Christmas period a store may sell about 1,000 items a day at an average price of about £20 per item.

"High street space is so expensive that we cannot sit on anything that is not performing," Ratner says, "One of the secrets is to keep fresh stock."

Lines are also reviewed every three months and replaced if they do not sell quickly enough.

About 20 per cent of all the items that are depatched to Ratners' shops are returned to its suppliers.

"The most important thing for me is that we get the right lines and that they are in stock. Then we try to get a decent margin on it," Mr Ratner says.

Ratners also puts a great deal of emphasis on its distribution systems in the US where the movement of stocks is much slower but the average ticket price is far higher at around $200.

The company aims to achieve considerable savings from merging its existing Sterling distribution network with the distribution system of the recently-acquired chain of Kays Jewelers.

"This will be one of the big benefits of the acquisition," Mr Ratner says.

The great communicator: Exel Logistics-Newsflow, the NFC's specialist national newspaper distribution company, has moved into book distribution with the acquisition of DMS

The popularity of airfreight is rocketing, says Paul Abrahams

The answer is up in the air

TRANSCONTINENTAL air cargo has experienced the biggest growth of any segment of civil aviation during the 1980s. It now forms a crucial part of many airlines' profits.

"Cargo has become the difference between profit and loss for the scheduled carrier," said Mr Geoff Bridges, vice president cargo at Air Canada, at a recent conference organised by Avmark, the aviation specialists. "Airlines cannot survive internationally on passenger traffic alone."

Cargo has become increasingly important for airlines in recent years. Lufthansa, which estimates that about 22 per cent of its revenue comes from freight, says that it does not operate a single intercontinental flight that could make money without freight.

The International Civil Aviation Organisation estimates that the amount of freight carried by airlines increased 96 per cent during the last decade from 29bn tonne-km to 58bn tonne-km. Recent forecasts estimate that by the year 2000 the worldwide air cargo market will have more than doubled to some 140bn freight tonne-km.

Although apportioning costs between passengers and cargo is difficult, cargo generates about 25 per cent of international airlines' revenue tonne-km and nearly 20 per cent of their revenue, according to Mr John Trevett, managing director of Avmark.

That revenue is highly necessary for air carriers which even in the best of years have difficulties making enough money to replace their existing aircraft, let alone create additional capacity.

And with the slow-down in passenger growth in both Europe and the US, cargo will need to play an increasingly important role for carriers. This is particularly true for European carriers which have been developing the freight side of their business more than US carriers.

For the US airlines, cargo often represents only 5 per cent of revenues. Most have proved for the most part unable to compete and have handed over initiative to integrated carriers such as Federal Express and UPS. The exceptions include Northwest Airlines, which operates extensively in the Pacific, and American Airlines.

However, although cargo represents an important source of revenue for many airlines, the freight carrying market is becoming increasingly competitive – a trend confirmed by falling cargo rates.

On the one hand, the airlines are increasing capacity. Carriers such as Lufthansa, Air France and KLM Royal Dutch Airlines have purchased or are in the process of purchasing fleets of large dedicated Boeing 747 freighters capable of carrying three times as much as an old 707 cargo aircraft. The global fleet of new 747-400 freighters will have doubled by the end of the century.

These airlines will need to cover the full cost of their dedicated cargo fleet while competing with airlines, such as British Airways, which have jets carrying both passengers and freight.

At the same time, the integrators are fast developing pan-European hub and spoke networks which plug into their intercontinental services. Sir Colin Marshall, the chief executive of British Airways, recently said that the integrated operators pose the single biggest threat to the air cargo industry as we know it.

Their aim is to bypass the traditional system which involved the customer going to a freight forwarder, which took the consignment to the airline, which delivered to the freight forwarder, who then passed it to the customer.

At the recent Avmark conference, Mr Mike Timson, managing director of Air Bridge Carriers, the UK-based cargo company, pointed out that incompatible tracking systems used by the freight forwarders and airlines meant that some consignments can be lost for days, sitting in bonded warehouses awaiting collection.

Some airlines have reacted to the increased competition by linking up with the integrators. The two largest cargo carriers in the world, JAL, the Japanese airline, and Lufthansa, the German flag-carrier, together with Nissho Iwai, the Japanese trading house, have recently acquired a $500m majority stake in DHL, one of the big four in the express courier market.

Others, such as British Airways are investing heavily to improve their customer service. In particular, BA claims to have taken the lead in information technology by introducing its Cargo Agents Reservations and Airwaybill Issuance and Tracking system, known as Carat. The system is designed to provide real time bookings and tracking.

The airlines and the integrators are hoping to take advantage of a number of important trends in manufacturing and world trade. These include:

- The increasing prevalence of time-based competition and "just-in-time" techniques. Many managers have realised the advantages of transporting small high value goods through fast, though costly, means, rather than having large quantities of expensive inventory tied up in sea transportation. The extent of such manufacturing methods can be surprising. For example, General Motors, the US car manufacturer, has transported the frames of its Allante vehicles from Detroit to Turin and then back again for final fitting.
- The transportation of seasonal perishable goods so that the consumer can buy exotic goods throughout the year.
- Global marketing of newly developed products such as fashion clothing.

However, despite these trends, air cargo managers will be looking to see how the recent crisis in the Gulf affects them. If demand for their products is suppressed by a slowing world economy and increased prices caused by rising fuel costs, then an already tight market could become even more competitive.

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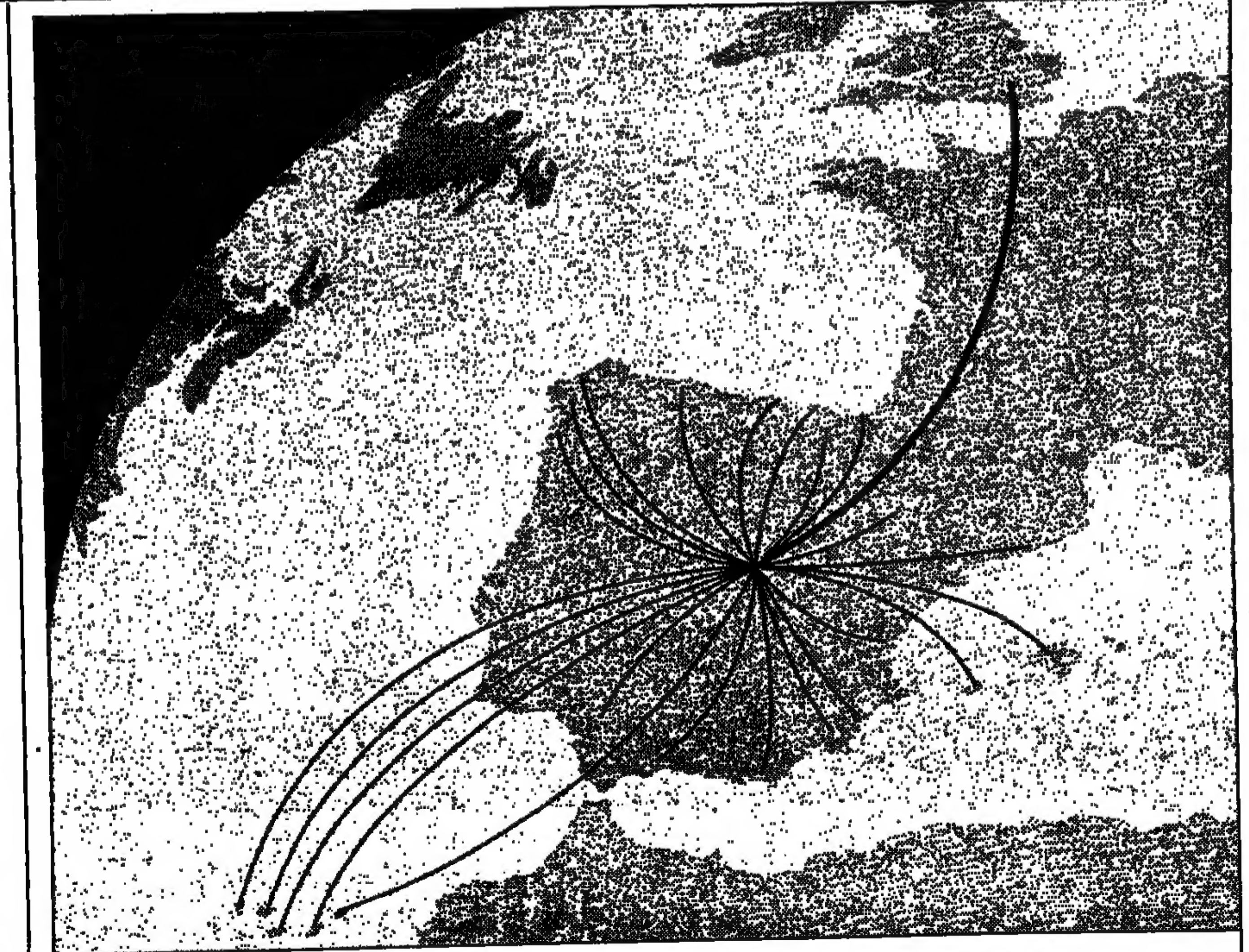

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DISTRIBUTION SERVICES 8

The industry anticipates a staff shortage, writes **Phillip Hastings**

Too few chiefs — and too few indians


Getting their backs into it: An instructor and trainee at work on a HGV course set up for unemployed Bristol inner city residents

THE UK Chartered Institute of Transport last month launched three new training initiatives, the most notable of which was a management apprenticeship scheme designed to attract school leavers into the transport sector. Those moves highlight a growing realisation in the distribution industry as a whole that recruitment and training have become key issues.

Organisations involved in running distribution operations are, for example, becoming increasingly aware that with the available labour pool of young people likely to continue shrinking over the next few decades, they need to work much harder to attract youngsters leaving school and college if they are to develop the necessary skilled employees and managers of tomorrow.

More immediately, with distribution already becoming an ever more sophisticated activity governed by tighter customer service and legislative requirements, so demand is growing for more and better skills training for existing employees. There is also a crying need, claim many companies in the transport and distribution industry, for better general management training.

Evidence of the growing shortage of properly trained people in the distribution sector appears to mount with every study carried out on that subject. Earlier this year, for example, the Road Transport Industry Training Board published a survey which showed that nearly 75 per cent of the employers from that sector who took part reported being affected by skill shortages last year.

More than a third had experienced difficulty finding suitable graduates, junior trainees or apprentices and more than 75 per cent expected skills shortages to get worse in the period to 1993.

In a bid to address some of those problems, the RTITB and leading road transport services company BRS recently announced the introduction of a new apprenticeship scheme designed particularly to try and reduce a current serious shortage of properly trained HGV (heavy goods vehicle) mechanics.

Various bodies have introduced a range of courses for training existing employees or older workers, and the unemployed seeking to acquire skills

Other trade organisations, professional bodies and private concerns also offer an increasingly wide range of courses and facilities geared more to training existing employees or older workers and the unemployed seeking to acquire the skills needed in modern-day distribution.

In the private sector, for instance, the recruitment and training division of national transport company Peter Lane Group, P.L.Workforce, earlier this year teamed up with the Bristol Industrial Society to provide HGV training for unemployed inner city residents.

However, while provision of the right individual skills training is regarded as important, many distribution companies and organisations see the shortage of good management training as even more crucial. It is with that in mind that the Chartered Institute of Transport (CIT) has just launched its new transport management apprenticeship scheme.

Explaining the scheme, Mr Alan Jones, the CIT's recently appointed new UK national chairman, said that young people would be indentured for three or five years, depending on whether they joined up at the age of 16 or 18.

Each apprentice would have a single Member or Fellow of the CIT as a mentor responsible for supervising their work experience according to rules and guidelines laid down by the Institute.

"It is my belief competence in management comes through a combination of abilities derived from academic learning and practical experience.

"The practical experience can only come from a wide range of working experiences in industry. That is what this scheme is designed to provide," he said.

Mr Jones, who is also managing director of TNT UK, said his company would be taking on a minimum of 25 such apprentices and he expected to see at least 20 other transport organisations joining the scheme early on. Later, he expected to see the scheme widened to take in many more companies.

The right management skills are seen as being particularly important in the context of establishing quality service as part of a corporate culture. Distribution companies claim quality customer service is now a key element in their business.

However, the big problem for many companies, they say, is how to ensure that aspect of their corporate culture is accepted and adopted by all staff, not just the top managers.

Distribution industry executives point out, for instance, that there is little point in the senior executives of a transport company promising customers quality service if at the end of the day the whole approach is spoilt by an offhand or inefficient collection/delivery driver, telephonist or customer service agent.

Responsibility for spreading the message rests as much if not more with managers at middle and junior level as with those at senior level.

The problem, say many distribution industry observers, is that there is now a growing shortage of sufficiently trained managers as recent rapid advances in distribution techniques and technology outpace the supply of people properly equipped to manage them.

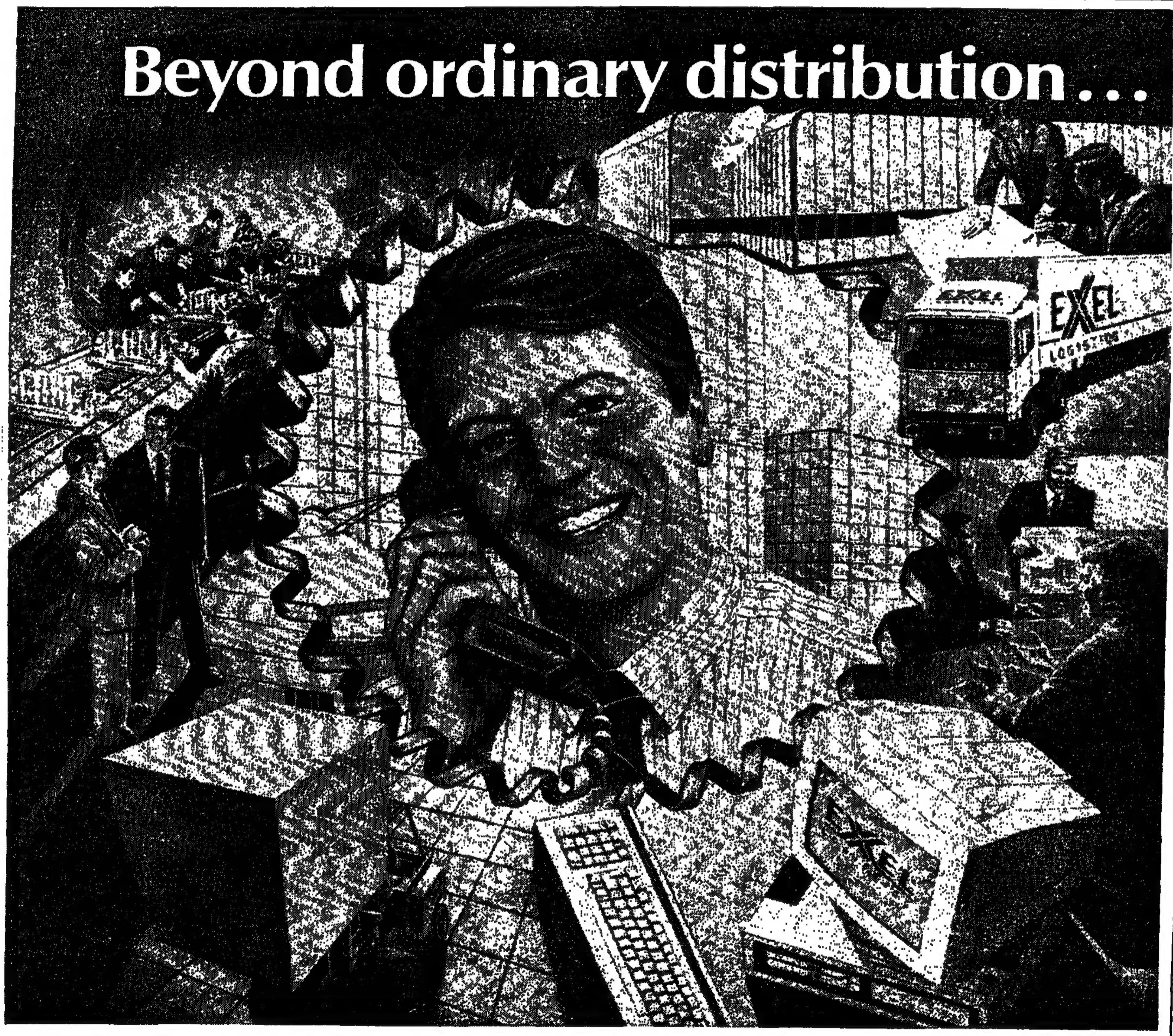
Those problems are apparently being experienced right across the board, with manufacturers, retailers and transport service companies alike having problems finding enough suitable people.

The shortage of well trained middle management is seen as being particularly important since it is often they who tend to have to set the pace in terms of implementing high quality customer service among staff.

That point is emphasised by Mr Paul Graves, programme director for a one week course on customer service development in freight and distribution being run at the Sundridge Park Management Centre in Bromley, Kent, next year.

"A key factor in general staff acceptance of changes in business practise is cool, calm and efficient management, qualities which will only be achieved if the managers concerned have developed the appropriate skills to operate in the new environment," he said.

The next few years will be as turbulent for the freight and distribution industry as the past decade has been. If companies are to succeed, they will need executives who can overcome problems and implement solutions. This will only be achieved if the managers on whom it depends are developed appropriately to meet the challenge, he said.



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PROFILE

Pushing for first division

WORKING on the premise that there will soon be little room in the UK express parcels market for division two players, established second rank carrier Parceline is pushing for promotion to the big league.

Recent moves have included recruiting new senior managers, rebranding services and adopting a more focussed approach to business development. Last month also saw the acquisition of two UK regional parcels companies, Manchester-based Conveyerquick and sister concern Hertfordshire-based Reds Transport, which between them had an annual turnover of around £8m.

The object of those moves and others to come, says Parceline management, is to double the company's £70m annual turnover within three years.

Part of the Australia-based Mayne Nickless group, Parceline is already one of the best-known carriers in the UK parcels market. It was bought by Mayne Nickless in 1985 from the De La Rue organisation and became the subject of considerable investment by its new parent organisation.

By early 1987, the company appeared poised for big expansion following the opening of a new £8m parcels sortation hub on a 15acre site at Sandwell in the West Midlands. Around the same time, Parceline senior excutives began talking about using that development as a springboard for future moves into other European express markets.

However, the push into Europe failed to materialise, as did plans to raise Parceline's general market presence and profile in the UK. Various changes in the company's senior management ensued.

First signs of a renewed drive to push Parceline into the first division came in May this year when Mr Colin Millbanks, former Federal Express vice president UK and Ireland, was apppointed chief executive.

Other new arrivals over the next few months inclnded Mr Robin Davies, previously with Philips distribution company London Carriers, as general manager, commercial and marketing.

Mr Millbanks said he found in Parceline a classic sleeping giant with the potential to become one of the top few carriers in a market lead by Parcelforce and Securicor. "At the moment, Parceline is at the top of division two among the carriers in that business," he said. "We believe it has got to get bigger and move up to division one.

"That expansion will be achieved partly through organic sales growth but we will also need to grow through acquisition as well."

The sort of companies likely to be targetted for purchase says Mr Millbanks, are those with an annual turnover of between £5m and £20m.

"Any company we buy will have to be a good fit with what we have now and be easily digestible. In this business, it is no good going to a customer and apologising for reduced service levels on the grounds that you have been busy absorbing an acquisition."

Meanwhile, Parceline has increased sorting capacity at its Sandwell hub from around 22,000 items an hour to 27,000. The average number of parcels handled each night is 80-90,000. The £2.6m expansion, due to come fully on line early in the new year , has included increasing the number of sortation points by 20 to provide a total of 84 outfeed points and 37 in-feed stations.

A key feature of Parceline's operations, which in addition to the Sandwell sorting centre also include 27 collection/delivery depots around the UK supported by a fleet of 1,200 vehicles and a 2,500-strong workforce, is the company's use of bar code technology to sort and track parcels.

"That means we can monitor the consignment by computer at every stage in the distribution process through to eventual delivery.

"At any given time in that movement, we can find out the precise whereabouts of any given parcel," said Mr Davies.

Phillip Hastings

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